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NEWSPAPER OF THE YEAR

FINANCIAL TIMES

Monday April 6 1992 EUROPE'S BUSINESS NEWSPAPER D 8523A

Bosnian leaders appeal for peace as fighting flares

Ethnic leaders made a joint appeal for peace as fierce fighting engulfed Sarajevo and other towns in the Yugoslav republic of Bosnia-Hercegovina, fanning fears of an all-out civil war.

Many people were reported killed in air strikes and artillery duels on the eve of a European Community meeting to consider recognising Bosnia as an independent state. Page 2

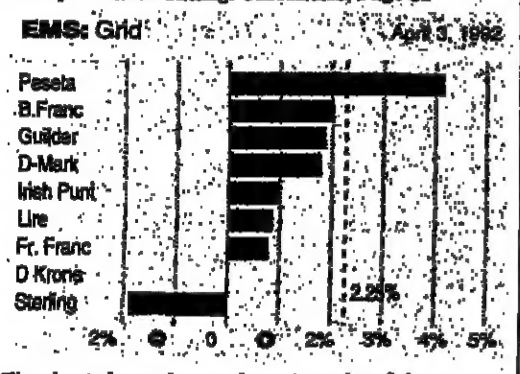
Finland cuts spending: Finland's centre-right coalition government announced FM10bn ($2bn) in spending cuts, including big reductions in welfare spending, in a bid to stave off devaluation of the markka. Page 16; Eye on markka, Page 17

Poll warning: John Major, the UK prime *minister*, sought to pull back his party from the verge of defeat in Thursday's general election with a warning that anything but a Conservative victory would threaten the break-up of the UK. Page 16; Elections, Page 6-8

Arab compromise bid: Arab foreign ministers meet in Cairo this week in what may prove their last chance to find a compromise over Libya's refusal to hand over the Lockerbie bomb suspects before UN sanctions come into effect. Page 5

European Monetary System: The D-Mark firmed within the EMS, helped by last week's rise in the German inflation rate, which scotched chances of a base rate cut by the Bundesbank. Sterling succumbed to the D-Mark's strength and was further undermined by worries about the outcome of Thursday's general election. Portugal enters the ERM today, with wide bands of 6 per cent either side of a central rate of 180 escudos per ecu. The announcement came too late on *Friday to affect trading.* Currencies, Page 31

EMS: Grid April 3, 1992



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands.

Threat to flights: The risk of disruption to flights between France and the US moved closer as a weekend deadline set by Washington and Paris for the resolution of a row over route capacity passed without agreement. Page 3

Sabena deal approved: Belgium approved the long-delayed alliance between Sabena, the loss-making state-owned airline, and Air France. The French national carrier will take a 37.5 per cent stake in Sabena. Page 3

Polish cash plea: Poland plans to ask the European Community later this year for a $1bn loan to shore up the government's painful economic reform programme and stave off the threat of a rapid rise in inflation. Page 2

Iraq downs Iranian jet: Iraq shot down an Iranian aircraft which attacked an Iranian opposition base in the Iraq. The raid sparked violent demonstrations by Iranian opposition supporters outside the country's embassies in London, Paris, Bonn and The Hague. Page 4

Likud patches up rift: A fragile unity was restored to Israel's ruling Likud party after David Levy agreed to stay on as foreign minister. His resignation had threatened to split the party in the run-up to June's national election. Page 4

British Aerospace expects Saudi Arabia to order additional Tornado bombers after the Saudis injected £1.5bn ($2.6bn) into their programme for purchasing arms and defence services from the UK. Page 17

Olympia & York, the troubled property developer, gave assurances that payments were up to date and security intact on public bonds secured on two of its *Canadian buildings.* Page 17

Thai PM nominated: Thailand's pro-army parliamentary coalition nominated supreme military commander General Suchinda Kraprayoon as premier. Its previous nominee was dropped after the US revealed it denied him a visa because of suspected drug links.

High turnout: The people of the Pyrenean principality of Andorra voted in force in a general election in which the outgoing government sought a mandate to introduce political and legal reforms to a state run largely on feudal lines.

Diesels in demand: Demand for diesel cars in Britain has risen despite a steep overall fall in car sales. They accounted for a record 11.2 per cent share of the new-car market in the first two months of this year. Page 9

Sam Walton dies: Sam Walton, one of the world's richest men and founder of Wal-Mart *Stores, the* biggest US retail chain, died, aged 74, after a lengthy battle with cancer.

Miss World finds home: The Miss World beauty contest, in exile from its native Britain after being shunned by television producers, has found a new home at Sun City, the South African hotel and entertainment resort. Page 9

Marked fall in support on issue of asylum-seekers stuns the established parties

Gains for far right in German polls

By Christopher Parkes in Bonn

A SURGE of votes for the extreme right stunned Germany's established parties in two state elections yesterday, with Chancellor Helmut Kohl's Christian Democrats losing their long-held absolute majority in Baden-Württemberg.

Early projections indicated the Social Democrats lost ground in the northern state of Schleswig-Holstein but would retain power, possibly in a coalition.

The rightwing Republicans, who campaigned for tougher laws to keep out foreign asylum-seekers, appeared to have got more than 10 per cent of votes in Baden-Württemberg, entering parliament in Stuttgart for the first time.

The far-right German People's Union (DVU) won about 6 per cent of votes in Schleswig-Holstein, surprisingly clearing the 5 per cent hurdle to enter the state parliament in Kiel.

While the Christian Democrats (CDU) had expected to suffer in Baden-Württemberg, the Social Democrats (SPD) had been widely forecast to retain power relatively easily in Schleswig-Holstein, where the party's national leader, Mr Björn Engholm, is state premier.

The main election issues – an influx of asylum-seekers, housing, and fear of unemployment – had been expected to bring out rightwing voters. But the out*come was far more dramatic than* expected.

The Republicans' Baden-Württemberg coup was the most telling vote for the extreme right in Germany since the defunct NPD nationalist party won 9.8 per cent of the vote in the 1968 election in the same state.

It won most support this time among young working-class people and the self-employed, according to a survey carried out yesterday. Some 16 per cent of blue-collar voters and 13 per cent of all those under 30 chose the Republicans.

In Schleswig-Holstein, Mr Gerhard Frey, founder-leader of the DVU, said his party's result was a *"spectacular success", and* attributed it to "the inability of the old parties to solve the problem of phoney asylum – seekers".

He said his party's cause had also been helped by the willingness of Bonn to give up the D-Mark in the interests of European union. "We are not against foreigners, we are for Germans," he claimed.

While the extreme right celebrated its unexpected successes, mainstream parties squabbled. Mr Walter Döring, leader of the liberal FDP in Baden-Württemberg, said the CDU premier, Mr Erwin Teufel, had acted as "a megaphone for the Republicans", stirring up anxiety over the asylum issue.

The result is a resounding snub to both Mr Kohl and to Mr Engholm, the recently nominated SPD challenger for the chancellorship in the 1994 federal elections.

It also increases pressure on the opposition to toe the line on controlling the arrival of asylum-seekers. Some 35,000, a record for *a single month, arrived in March,* mostly from Yugoslavia and Romania.

Early reckonings in Baden-Württemberg gave the CDU about 40 per cent of the vote, compared with 49 per cent last time in 1988; the SPD 29 (32); *Greens 8.9 (7.9); FDP 5.3 (5.9);* Republicans 10.3 (nil).

In Schleswig-Holstein, the SPD saw its 54.8 per cent share of the vote cut to 47 per cent. The CDU held almost level with 33.5 per cent, while the Greens and FDP increased their shares slightly to *just over 5 per cent – the minimum* necessary to gain seats. The DVU, which did not stand in the last elections, took almost 6 per cent.

A 5.8 per cent pay package for German bank workers, agreed after the first strikes in the sector since the war, roused stern warnings at the weekend of continued high interest rates and inflation.

It also heightened the prospect of disruptive action by other unions still negotiating. Average claims in manufacturing and construction are around 10 per cent.

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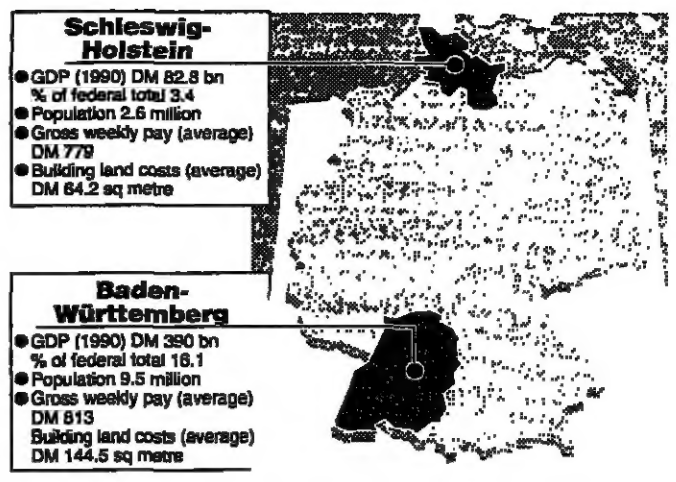

Editorial Comment, Page 14

Yeltsin attacks critics and calls for more power

By John Lloyd in Moscow

RUSSIAN president Mr Boris Yeltsin yesterday demanded increased powers and support for his reform programme as he challenged his parliamentary critics in advance of today's opening session of the Russian Congress of Peoples' Deputies.

He used a meeting of his supporters in the Rossiya Hotel next to the Kremlin to denounce attempts led by Mr Anatoly Sobchak, the St Petersburg mayor, to create a parliamentary system with a figurehead president in Russia. He said this would be "suicide" in the present conditions of weak parties and increasing tendencies of disintegration of the state.

"The present situation calls for a presidential republic for two or three years . . . the government should have the right to be free in its activities," he told the "Citizen's Congress", which brought together some 4,000 supporters. Drafts of the constitution already envisage clipping Mr Yeltsin's powers by giving deputies the right to veto by simple majority the appointment of ministers, including the prime minister – a post he occupies.

Many deputies want to win back the veto rights suspended last year at Mr Yeltsin's request. Some deputies believe that the struggle over the constitution may end in stalemate, with none being adopted at the end of the nine-day congress.

The meeting was picketed by about 1,000 communists and nationalists. Mr Yegor Yakovlev, the head of the state TV and radio network, was jostled and his glasses smashed, while militia looked on. The demonstrators chanted nationalist and anti-semitic slogans, and are likely to attempt a show of force at today's meeting of the congress, to be held in one of the Kremlin's halls.

Mr Yeltsin has already made some changes in his government, the latest of which was on Saturday. He stripped Mr Alexander Shokhin of his post as labour and social security minister, leaving him as deputy prime minister.

Mr Yeltsin confirmed that the pace of reform would be slackened, with tax cuts to be announced, on top of credits to industry and agriculture amounting to Rbs200bn. Further changes in the government were also foreshadowed, including the co-option of "major businessmen and industrialists" into the cabinet.

He reaffirmed his commitment to market-based change when he said: "Only one way out can exist today – the continuation of radical reforms. The main thing with which I was entrusted by the voters at the presidential elections was to move to a normal state of life through reform. I shall not leave this path."

New economic order eludes eastern Europe ....Page 2
So far, so good – but so fragile ....Page 14

Pro-communist protesters argue at a rally outside the Citizen's Congress meeting in Moscow

Deal over escudo to avert run on sterling

***By David Gardner in Brussels* and Peter Marsh in London**

FEARS of a run on sterling before Thursday's UK general election were behind an agreement reached over the weekend linked to today's entry of the Portuguese escudo into the European exchange rate mechanism (ERM).

At a meeting in Brussels, Britain argued successfully that the central rate for the escudo should be higher than originally proposed. It was felt that a high rate would limit the possibilities of a rapid rise in value of the Portuguese unit that could put pressure on the pound.

The escudo's ERM entry comes at the start of a tense week for sterling as the foreign exchange markets contemplate a change in the UK government. There have been fears that investors will

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Brussels clears auditors on competitiveness in the EC

By Andrew Jack

LEADING international networks of accountancy firms have been cleared by a European Commission study of any suggestion of anti-competitive practices.

The study, conducted by a London-based consultancy for the EC competition directorate, concludes that harmonisation of standards and mutual recogni*tion of qualifications* have "some way to go" to remove the "substantial barriers" restricting trade in audit and consulting services between EC member states.

It warns that any further mergers between the six largest firms in Europe would demand "close scrutiny". It says anxieties about the independence of auditors are raised by their practice of provid*ing other services, such as* tax advice and management consultancy, to clients.

The report, produced early last year and long awaited by the accountancy profession, was commissioned in 1989 to investigate whether the largest firms *held monopoly power in the Com*munity.

The directorate said yesterday: "Accountancy is not a perfect market but it is not presenting a burning problem to us and there are other priorities at the moment."

The news appears to damp fears that the EC might act to prevent mergers between the big *firms, reduce their expansion* across member states or bar them from providing additional services to their audit clients. Mr Dermot Glynn, of National Economic Research Associates which carried out the study, said: "This is a clean-ish bill of health for the firms."

The study shows that the audits of large European companies are *heavily dominated* by the international networks of "big six" firms, and argues that competitors are excluded because they have fewer resources and are perceived to offer lower quality. But it suggests these networks – a resource-sharing *mechanism between different* national firms – are limited by laws and professional restrictions which insulate accounting in each EC member state.

It says attempts by countries such as France and Italy to prevent accountants from providing additional services to their audit clients have generally failed.

The directorate appears to have *no intention of breaking up the* mergers which took place in the late 1980s and which reduced the number of very large firms from eight to six.

The directorate did launch a competition inquiry last year into an international association formed by BDO Binder Hamlyn, a medium-sized accountancy firm, to refer clients to members in *other countries, but concluded it* would if anything improve competition for accountancy services within the EC.

Six pack keeps European accountancy in the can, Page 6

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.00	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh8.00
Germany	DM3.30	Lebanon	L£1,250	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

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Bank pay deal sparks warning over German interest rates

By Christopher Parkes in Bonn

A 5.8 per cent pay package for German bank workers, agreed after the first strikes in the sector since the war, roused stern warnings at the weekend of continued high interest rates and inflation.

It also heightened the prospect of disruptive action by other unions still negotiating. Average claims in manufacturing and construction are around 10 per cent. A crowd of 700 building workers demonstrating in Hamburg on Saturday heard their employers' 3.4 per cent offer described as "a mockery".

While the bank settlement was below the 6.34 per cent accepted earlier by steel unions, it was still above the 5.5 per cent upper limit proposed last autumn – before the severity of the current economic downturn became apparent – by the government's five leading independent economic advisers.

Mr Rüdiger Pohl, one of the so-called five wise men, said yesterday that the Bundesbank would not be able to reduce interest rates if such settlements continued. Germany was in danger of becoming locked into long-term inflation.

In present circumstances, pay awards of 4.5 per cent represented a "justifiable medium-term limit", he added.

Employers' groups said banks could afford the settlement because they were making normal profits at present. Other industries were not, and the deal should not be seen as a model for awards in manufacturing.

The white-collar unions claimed the bank deal, including extra time off and other concessions, was worth 6.4 per cent overall. A jubilant Mr Gerhard Renner, chief negotiator for the DAG union, proclaimed the settlement "a victory over pay dictatorship".

Meanwhile, a 10.5 per cent public sector claim and the employers' offer of 3.5 per cent are in arbitration following the collapse of negotiations. Engineering unions, representing the country's main wealth-creating industries and asking for 9.5 per cent, have yet to receive any offer.

● German inflation peaked last month and should soon be on its way down to less than 4 per cent before the end of the year, Mr Otmar Issing, chief economist at the Bundesbank, said yesterday on radio.

However, growth may be weaker than forecast. The official expectation of a 1.5 per cent increase in gross national product this year was still possible, although it was less likely because the downturn might last longer than had at first been thought.

Inflation in March reached 4.7 per cent, after an average for last year of 3.5 per cent.

Eco-plan agreed but payment unresolved

By Michael Littlejohns, UN Correspondent, in New York

DEVELOPED and developing countries have agreed after two years of often acrimonious debate to join in a "global partnership" to restore and preserve the earth's ecosystem.

However, its impact is diminished by continued failure to resolve the problem of paying for such a massive environmental clean-up in the teeth of economic recession.

The accord was reached at the UN on Saturday in an all-night meeting of the preparatory committee for the Earth Summit conference to be held in Rio de Janeiro in June.

Mr Maurice Strong, the conference secretary general, estimated that Third World states would require $125bn a year in outside aid for new environmental programmes – $70bn more annually than they receive now in all financial assistance. He projects even larger sums for the long term.

Questions still to be resolved include the transfer of environmentally sound technologies to developing countries, institutional arrangements for overseeing policies, and protecting the rapidly depleting forests.

Among the principles agreed is the obligation of polluters to pay for cleaning up, the need for environmental protection even without prior scientific evidence, and the responsibility of states not to damage the environment of other states.

European Community expected to recognise state's independence today

Bosnia's ethnic leaders appeal for peace

By Our Foreign Staff

ETHNIC leaders made a joint appeal for peace yesterday after fierce fighting flared in the Yugoslav republic of Bosnia-Hercegovina.

Many people were reported killed in gunfights and air and artillery attacks, which came on the eve of a European Community meeting to consider recognising Bosnia as an independent state.

With automatic weapons fire and explosions continuing, leaders of Bosnia's Moslem, Croat and Serbian communities joined federal army chiefs in a televised plea for peace. As the Yugoslav federal state crumbles, Bosnia's Moslems and Croats generally favour independence, which is pitting them against the republic's Serbs.

A Sarajevo radio report claimed hundreds had been killed or wounded in the town of Kupres, but this could not be confirmed. Croat irregulars were reported to have seized the town, prompting a bloody three-day battle in which two Yugoslav army jets were said to have been shot down.

In Sarajevo, about 7,000 demonstrators from the three ethnic communities joined in a peace protest, defying gunfire echoing in the streets around them. But at one point gunmen opened fire on the crowd, killing one demonstrator and injuring 10.

Yugoslav army Mig-21 jet fighters swooped low over the city repeatedly, in an attempt to drive the demonstrators from the streets. Clashes were also reported near the town of Bosanksi Brod, and thousands of people were fleeing the town of Brcko across a bridge into Croatia. It was the worst fighting in Bosnia since the Second World War.

Serbian fighters take cover during operations against snipers in Bijeljina, an eastern town in the troubled province of Bosnia-Hercegovina, yesterday

Bosnia's President Alija Izetbegovic blamed the violence on Serbs opposed to Bosnian independence, saying they were trying to block international recognition. He also accused the Serb-led federal army of failing to prevent fighting.

The fighting follows the heaviest clashes for months in neighbouring Croatia. Croatian radio said about 27 people were killed in fighting in eastern Croatia on Friday and the Serb-led Yugoslav army said 25 federal soldiers and Serb fighters were killed.

EC foreign ministers appear likely to recognise Bosnia's independence later today. Slovenia and Croatia have already won EC recognition.

Most EC states now seem to believe that the only way to improve the dangerously unstable situation in Bosnia is to give it the independent status it voted for by referendum a month ago. The US, which is now seeking to bring its stance in line with that of the Community, is also pushing for recognition of Bosnia.

But Spain, and to some degree Germany, argue that the issue of recognising Bosnia should not be separated from the question of giving similar status to Macedonia.

Greece has strongly objected to recognising Macedonia under that name, for fear of stirring Macedonian nationalism in northern Greece. The Portuguese presidency of the EC has been trying to find a formula to satisfy Greece.

Meanwhile, the first infantry contingent of the UN peacekeeping force sent to Yugoslavia began deployment in war-torn areas of Croatia yesterday.

Poland to seek EC loan to bolster reforms

By Andrew Gowers and Anthony Robinson in Warsaw

POLAND plans to ask the European Community later this year for a $1bn loan to shore up the government's painful economic reform programme and stave off the threat of a rapid rise in inflation.

Mr Andrzej Olechowski, finance minister, told the Financial Times that Poland needed the loan to assist it in financing a large projected budget deficit for 1992 without adding to inflationary pressures. He said he had sounded out Mr Pierre Bérégovoy, the new French prime minister, and senior German officials on the idea and their response was "not negative".

The prospect of such a loan request may stir unease among EC governments, which are anxious to support Poland's pioneering efforts to transform its economy but which have been alarmed in the last few months at signs that the reforms have been thrown off course.

However, Mr Olechowski made clear that he would not formally make the request until Poland had concluded a new agreement with the International Monetary Fund, negotiations on which will re-commence if and when the Polish parliament, the Sejm, approves the proposed 1992 budget.

Warsaw's existing accord with the IMF was suspended last year when Poland failed to meet the required economic targets. But Mr Olechowski was told by senior IMF officials when he visited Washington a month ago that the proposed 1992 budget, which provides for a deficit of Zl 65 trillion (million million) – $4.8bn – the equivalent of 5 per cent of gross domestic product, would not constitute an obstacle to the resumption of talks.

An IMF agreement is also critically important for Poland's efforts to gain relief on its external debt of more than $40bn. In June it is due to embark on negotiations with the London Club of commercial bank creditors, to which it owes some $11bn.

Mr Olechowski, who took office just over a month ago after his predecessor resigned in a disagreement over policy, is widely credited with injecting some order into economic policy-making. He has also improved Poland's relations with the international financial community after a period of uncertainty.

Only two months ago, the World Bank warned the government that there was an imminent danger of hyperinflation if the government failed to bring its spending more closely in line with revenues. Now the government believes inflation for the year as a whole will be 45 per cent, down from 70 per cent last year.

A new economic order eludes eastern Europe

Frances Williams on the gloomy findings of a UN survey

THE economies of eastern Europe and the former Soviet Union are slipping ever deeper into a 1930s-style depression and, with no respite in sight, enthusiasm for a new economic order has given way to pessimism.

In its annual economic survey published today the 40-member United Nations Economic Commission for Europe (ECE) urges a much greater commitment to the success of economic reform by western governments. Otherwise, it says, increasing economic strains could lead to disillusion and impatience with both the "market" and democracy.

The ECE estimates that domestic output fell by some 14 per cent in eastern Europe last year, bringing the aggregate drop in output since 1988 to nearly 25 per cent. Many must now be wondering whether "the invisible hand of the market is really an iron fist", it says, drawing parallels with the inter-war depression which saw a 29 per cent slump in output in North America between 1929 and 1933.

In the former Soviet Union/Commonwealth of Independent States (CIS), net material product (output excluding services) fell by 15 per cent and GNP by 17 per cent, after falls of 2 and 4 per cent respectively in 1990. Another large fall in CIS output seems probable in 1992, the survey says.

In the light of eastern European experience, "an aggregate decline of 25-30 per cent between 1989 and 1992 would not be implausible".

Further cuts in already low living standards and the prospect of rapidly rising unemployment this year could threaten the fragile political and social consensus for market reforms in the CIS economies unless there is substantial help from abroad, the ECE says. It says the most urgent task facing the CIS is to curb inflation and budget deficits, which means resolving the conflict between fiscally autonomous republics and ineffective central monetary control.

The UN agency proposes an open CIS trading area with separate currencies, accompanied by currency reform and stabilisation measures in each republic.

It says a payments union, modelled on the European Payments Union for western Europe in 1950-58, would help avoid excessive contraction of trade in the transition to currency convertibility.

The picture in eastern Europe is dark, the ECE says. Output levels continued to fall sharply last year, there has been a sharp rise in joblessness and most people have had to bear large cuts in living standards.

Although western aid and assistance to eastern Europe and the former Soviet Union has increased in the past year, and there have been important improvements in access to western markets for eastern goods, "the amount of genuine aid [grants and concessionary finance] has been small", the ECE says.

In 1990 and 1991 there was a net outflow of financial resources from eastern Europe and the former Soviet Union. Of the $9.7bn of gross financial flows in 1990, only $1.7bn (less than a fifth) was official aid. Gross flows last year were around $19.8bn and could total $14.5bn this year, the ECE estimates. Officials said last week that little of the recently-announced $18bn in financial assistance for Russia by the Group of Seven industrial countries appeared to be new money beyond that already pledged and the element of concessional aid was small.

The survey notes that western aid for eastern Europe and the CIS countries is far less than the sums implied either in a "Marshall Plan equivalent" – $16.7bn (£9.7bn) a year – or in the suggestion by Mr Jacques Delors, EC president, to provide support equivalent to the $23bn a year the Community spends on its own depressed regions.

The ECE repeats its call for a "Second European Recovery Programme", parallelling the Marshall Plan for US aid to post-war western Europe. "A clearer and more coherent framework for organising western assistance for the transition process" would help both in ensuring that aid was directed to tackling identified growth bottlenecks and in building public confidence in reform.

Russia's third city leads the way in state property sales

By John Lloyd in Nizhny Novgorod

TURNING Russian state into private property began in an organised fashion yesterday in Russia's third city of Nizhny Novgorod, formerly Gorky, 400 miles west of Moscow.

In terms of volume, this was a small event. It lasted less than two hours and only a few thousand dollars changed hands. Yet Mr Yegor Gaidar, the first deputy prime minister, and Mr Anatoly Chubais, the privatisation minister, came down from Moscow and afterwards described it as "a turning point" and "a breakthrough".

Why should Nizhny Novgorod be seen in this way, rather than Moscow or St Petersburg?

The International Finance Corporation, the project finance arm of the World Bank which has underpinned this exercise, points to the city's relative lack of corruption. It also cites a strong political will in favour of the market shown by the young mayor and the governor of the region.

Nizhny's Saturday auction was held in a Palace of Culture in the old part of the town. The building was solidly picketed by some 300 people, mainly women from some of the 2,000 retail businesses in Nizhny, all of which are due to be privatised by the end of the year. They held signs with slogans like "where are you leading us" and "Don't make us poor again".

The auction was conducted by Mr Arseny Labanov, a former jockey who now has his own TV show. The IFC had worked on Mr Labanov, taking him to Prague to learn from a Czechoslovak auctioneer.

Each of the 22 shops on the list had a starting price, which represented the book value of the assets: the first, for example, was a food shop which had a starting price of Rbs9,300 and which was bid up quickly to sell at Rbs630,000: the highest price was for a crystal shop in the centre of town which sold for Rbs10m.

At the end, 21 of the shops were sold, one being withdrawn because only one buyer had registered for it.

Among the buyers in Saturday's auction was Mr Swergei Shirokov, manager of an electrical goods shop. He had bid for the shop on behalf of the staff – all 57 of whom had chipped in to raise the Rbs2m for which it was sold.

The sale was thought to have gone well. Mr Boris Nemtsov, the governor, and Mr Dmitri Bednyakov, the mayor, are pressing the IFC to privatise more - especially the 8,000-strong lorry fleet in the region. Already, the mayors of other cities are beating a path to the IFC's door, asking for help (which their resources will not allow).

But beyond the pleasant enough shopping streets are the vast factories which define Nizhny Novgorod and so many other cities: only the first scratchings on the surface have begun.

Italians vote along new lines

By Robert Graham in Rome

PRESIDENT Francesco Cossiga hauled the press out of their beds early yesterday for a photo-call of him casting his vote only half an hour after Italy's polling stations opened at 7am.

"Do you always get up so early, president?" he was asked by a resentful journalist. "Yes," he replied mischievously.

Mr Cossiga was one of the first to experience the new voting procedures introduced last year by referendum, intended to lessen the abuses surrounding the system of preferential votes.

In addition to casting a vote for a party, voters have throughout the post-war period been entitled to select up to four preferred candidates on the electoral list, and it was sufficient either to make a cross or write a number.

In Rome and southern Italy this was widely exploited by the Christian Democrats and Socialists to ensure the candidates selected by the party apparatus were voted for. In the north, the preference system was little used.

Yesterday, under the revised rules only one preference vote was permitted and this was only valid if the candidate's name was spelled out. Several commentators argued yesterday that the single preference system could still benefit the well organised Christian Democrats in the south to the detriment of other parties.

Christian Democrat politicians have been found distributing stencils with candidates' names, in theory justified by the need to help illiterates required to write their preference. However, seven candidates in the south are said each to have ordered 140,000 such stencils.

The change in preference voting was recognised by the promoters of the June 1991 referendum as only a partial reform of the electoral system and the next parliament will be under pressure to make further changes.

Yesterday's vote was on the basis of a complex procedure of proportional representation. Italy is divided on a geographical basis into 32 electoral colleges, which provide the 630 deputies and 315 senators. The largest of these is that of Rome, with 54 seats for the lower chamber, and the smallest Val d'Aosta, with one.

When the total valid votes in each college are counted after the booths close, this will be divided by the number of seats plus two – an equation which produces the electoral "quotient".

This quotient represents the number of votes each party needs to obtain a seat. Usually it is impossible to allocate all seats in this way: in 1987, 16 of the seats were left spare. To fill these, the remaining votes in excess of each party's quotient, or the entire vote if a party has failed to reach the requisite quotient, are transfered to a national electoral college, where a new quotient is worked out.

The system encourages small parties to enter the ring. Yesterday there were 50 groupings, with voters in Rome obliged to chose among 27 different parties. Small parties may gain no seat in a local electoral college but with their votes carried forward into the national college, they stand a good chance of picking up a residual seat because the number of their votes at this stage is often greater than the larger parties'.

This, however, means smaller parties need ultimately more votes to obtain a seat than the big parties.

Similar considerations apply to the senate.

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France and US fail to resolve air route row

By William Dawkins in Paris

THE risk of disruption to flights between France and the US moved closer over the weekend, as the Saturday deadline set by Washington and Paris for the resolution of a row over route capacity passed without agreement.

Paris has said that failing an accord, it will limit the rise in US transatlantic traffic to and from France to 15 per cent, well below the 40 per cent increase the US Department of Transport has demanded on behalf of the eight leading US carriers. Washington has warned it would probably retaliate.

This is the latest round in the struggle by Air France and other European airlines against competition from larger US groups on the most attractive transatlantic routes. It also worsens US-French trade relations, already strained by disagreements over farm subsidies in the General Agreement on Tariffs and Trade.

Air France yesterday repeated its determination to resist. "In giving satisfaction to US demands, one would create overcapacity on airline routes between France and the US, which would seriously harm the profitability of all companies on these routes," said Mr Bernard Attali, chairman of Air France. The French national carrier derives 15 per cent of annual sales from transatlantic flights.

The fact that two US airlines, TWA and Continental, were under Chapter 11 protection from creditors "was not compatible with the principle of fair competition" set out in the Franco-US accord on air transport, he added. The US argues that coming from state-owned Air France, this argument is hard to accept.

Air France had no information yesterday on how or when Paris planned to act, but civil aviation authority officials had earlier warned that they were not afraid to take "authoritarian action".

France opposes Washington's demands on the grounds that it believes traffic between the two is set to rise by only 10 per cent this year. Thus a 40 per cent rise in the US allocation would further erode France's share of the transatlantic market. It has fallen steadily to 30 per cent since US airline deregulation, with the US carriers taking the remaining 70 per cent.

Air France alliance with Sabena agreed

By William Dawkins in Paris

THE Belgian Government yesterday gave the go-ahead for the long-delayed alliance between Sabena, the loss-making state-owned airline, and Air France, the French national carrier.

Under the deal, Air France and its Belgian financial partners, led by the Groupe Bruxelles Lambert holding company, will pay BFr6bn (£102m) for a 37.5 per cent stake in Sabena. The stake will be owned by a holding company, two thirds owned by Air France – which accordingly contributes BFr4bn to the total – and one third owned by the Belgian financial institutions.

Sabena will still be open to other international airline partners, as demanded by the Belgian government, said Mr Guy Coëme, the communications minister. The chairmen of both airlines welcomed the government's agreement, which Air France said would allow important industrial and commercial gains.

Air France and Sabena will co-operate on flights to and from their main airports, Roissy-Charles de Gaulle and Zaventem, Brussels. Air France said yesterday they were studying a Paris-Brussels air shuttle to make connections between their respective international routes.

Sabena will adopt computer systems compatible with those of Air France, and the pair plan to co-operate on maintenance, engineering and refuelling. This should lead to savings on investments and stocks, said Air France. They will also study co-ordinating equipment purchasing.

This ends months of uncertainty in the latest case of international airlines seeking partnership deals in response to deregulation of their markets.

The Belgian airline has been looking for a partner for over a year. Air France emerged as favourite last autumn, ahead of British Airways, but talks had to be suspended in October while Belgium sorted out its political crisis.

Reaction to Bérégovoy team tepid

By William Dawkins in Paris

THE ministerial team chosen by Mr Pierre Bérégovoy, France's new prime minister, met a tepid public reception over the weekend.

Some 46 per cent of the electorate were disappointed with Mr Bérégovoy's line-up, according to an opinion poll in Le Journal du Dimanche, while 40 per cent were satisfied and the remaining 14 per cent had no opinion.

The result contrasts with the majority approval accorded to Mr Bérégovoy personally in polls just after his selection last week. It also underlines the difficulties the government faces in winning popularity.

Mr Bérégovoy's new cabinet is younger than that of his predecessor, has a strong showing of supporters of Mr Laurent Fabius, the Socialist party secretary, and contains several surprise appointments like that of Mr Bernard Tapie, the businessman and football club owner selected as minister for cities.

Bananas put Community's honour at stake

Brussels faces one of its toughest quota decisions tomorrow, writes David Gardner

THE EUROPEAN MARKET

THE EC's Single Market will be incomplete without them. A Uruguay Round trade deal looks even less likely without them. The honour of the Community is at stake because of them. As a result of this, they are the object of one of the most intense lobbying operations the EC has witnessed.

So there are things you may not have suspected about bananas – not the fruit of choice of the European Commission at the moment.

For after four years of circular argument, the 17 commissioners are supposed tomorrow to make up their minds whether to make bananas grown in the EC's outlying territories and former colonies subject to increasing competition from much cheaper bananas from Central America.

The Commission is divided, as are the 12 member states. So the fruit, as one official punned, may not be ripe for decision and slip off the agenda for a third time in a month. The EC faces a genuine and serious conflict of obligations. Brussels is also all too aware of the potential for headline ridicule if it falls out publicly on how to reconcile these obligations.

The Community gets three out of every five of the 3.4m tonnes of bananas it consumes from Central America, Colombia and Ecuador, marketed principally by multinationals such as Chiquita and United Brands. These large plantation bananas, from the so-called dollar zone, are produced at around half the price of Euro-bananas, which share the rest of the market.

The latter come mostly from smallholders in hilly overseas territories such as France's Martinique and Guadeloupe, former colonies like the four Windward Islands (where two out of three bananas eaten in the UK come from), or offshore island provinces like Spain's Canary Islands, Portugal's Madeira, or Greece's Crete.

They enter duty-free, whereas dollar bananas in most EC member states face quotas, as well as a 20 per cent tariff everywhere except Germany, where the fruit is accordingly cheaper, and over a third of Community imports are consumed.

The EC has to try to reconcile itself to creating an open market in bananas from next January, while ensuring its own and Caribbean producers are not wiped out by dollar bananas with which they cannot compete, and yet at the same time meeting its commitments to Gatt, the General Agreement on Tariffs and Trade.

As part of the five-year old Uruguay Round, Gatt requires all farm products to have import tariffs, which would be gradually lowered over the next six years if an overall deal on trade liberalisation is reached by the Easter deadline it has set.

Yet the EC has prior treaty obligations. Under the Lomé Convention, a trade and development agreement with 69 African, Caribbean and Pacific (ACP) countries, a special banana protocol says the EC will not place ACP producers "in a less favourable situation than in the past or present".

The Canaries and Madeira are protected by the accession treaties for Spain and Portugal. And should the EC decide on tariffs for dollar bananas, it has to get around the original banana protocol, to the Treaty of Rome itself, which guaranteed unimpeded access for a Germany starved of its favourite fruit during the war and post-war years.

'If we lost the industry, we would lose the country. It would be the beginning of despair' – Dame Eugenia Charles, Dominica PM

A sizeable minority of the Commission wants to set tariffs on dollar bananas, while a narrow majority wants to seek exemption from Gatt rules and set quotas. Two or three commissioners appear undecided, but if tariffs win the day, France, Spain, Portugal, maybe Greece and Italy, and possibly even the UK, could combine to overturn the decision once it reaches the member states.

The tariff-iers want a hefty duty of Ecu353 (£253) a tonne – the difference between the highest import price for Euro-bananas and the lowest import price from the dollar zone in 1986-88 – on top of the standard 20 per cent tariff. This would apply to dollar zone imports over 1.4m tonnes.

In addition, the tariff proponents would seek aid to help

EC banana producers restructure their economies, and safeguard clauses within Gatt. Seeking exemptions from Gatt will, they argue, unravel the Uruguay Round package so far assembled, leading Japan to take out its rice, and the US to seek waivers for milk, sugar, cotton and peanuts.

The quota defenders, led by Commission president Jacques Delors, believe that even high tariffs will not protect the banana producers adequately, and that EC standing will be more damaged if it dishonours treaty obligations than if it seeks flexibility within commitments it has yet formally to assume within Gatt.

A compromise is being floated for an "unbound" tariff – meaning the EC would have discretion to vary it. But while its proponents believe this may be acceptable to Gatt, it is unlikely to be acceptable to the US, unless the EC makes other costly concessions.

In the EC Council of Ministers, Mr Louis Mermaz, the influential French agriculture minister, warned last week that the issue was "not a question of liberalisation but of the right to live".

Hordes of lobbyists for the Caribbean producers, many of which earn up to three-quarters of their hard currency from bananas, warn of Haiti-like breakdown in these countries, making them easy prey for drug traffickers using the western seaboard into the US. The dollar zone producers, they say, have the whole US market, and will have all of eastern Europe, as well as three-fifths of the west European market.

They disbelieve Commission assurances that EC competition rules will prevent the dollar zone multinationals from concentrating their fire within individual member states to drive ACP producers out.

Dame Eugenia Charles, prime minister of Dominica, said last month in Brussels and London that tarification could not protect their industry. "If we lost the industry, we would lose the country," she predicted. "It would be the beginning of despair."

Under these circumstances, no formula the Commission decides on is likely to be neat, or safe from criticism.

Ministers back some elements of open energy market

By Andrew Hill in Vilamoura, Portugal

A SMALL majority of EC energy ministers has supported elements of draft European Commission laws to liberalise the energy market. During their first discussion of the plans at the weekend, ministers backed proposals to end monopoly rights over electricity production and the construction of energy networks.

However, formal ministerial discussions of the directives next month are still likely to stall on the controversial core element of the Commission's liberalisation package, which would give energy users greater access to gas and electricity networks.

The majority of ministers at Saturday's informal meeting – led by the French and Dutch representatives – expressed reservations about these proposals, known as third party access.

"We're convinced that third party access would very seriously compromise the strengths of the present system, which guarantees investment, security of supply and equal treatment of consumers," said a senior French energy official.

Continued opposition from big member states could push back the Commission's ambitious deadline of the beginning of next year for implementing the gas and electricity directives.

Mr Antonio Cardoso e Cunha, the EC energy commissioner, said on Saturday he still hoped discussions would be completed this year.

He was pleasantly surprised at most ministers' tentative support for an end to exclusive rights and for the "unbundling" of integrated energy companies' accounts, which would improve cost and price transparency. Most member states were unenthusiastic about the whole package during earlier technical discussions in Brussels.

"Today there was much greater openness to look for the positive elements which could be accepted," said one official from the UK, the Commission's strongest supporter on energy liberalisation.

Foreign ministers to seek compromise in Cairo

Last-ditch Arab move to solve Libya crisis

By Tony Walker in Cairo

ARAB foreign ministers are to meet in Cairo early this week in what may prove a last-ditch effort to find a compromise in the Libyan affair before United Nations sanctions come into effect on April 15.

Arab League officials, speaking after Colonel Muammer Gadaffi, the Libyan leader, had bitterly denounced the "Crusader West" in a defiant speech, said the seven-member committee of Arab foreign ministers charged with defusing the Libyan crisis will meet in Cairo tomorrow.

The committee, which groups Egypt, Algeria, Tunisia, Syria, Libya, Mauritania and Morocco, was formed several weeks ago to seek a face-saving end to the crisis, but its efforts have proved ineffectual.

Col Gadaffi said at the weekend Libya would never surrender its "sons" to an "enemy country". He repeated his outright rejection of Security Council resolution 748, which set the April 15 deadline for an air and arms embargo against Libya for its refusal to yield two men accused of the 1988 bombing of a Pan Am airliner over Lockerbie, Scotland.

The UN is also pressing Libya to make available four of its citizens, including Col Gadaffi's brother-in-law, for questioning by the French authorities over the 1989 downing of a French UTA jet over Niger. A total of 441 people were killed in the destruction of the two aircraft.

The US meanwhile repeated its instruction to its nationals to leave Libya immediately after Col Gadaffi's furious outburst on Friday in a speech marking the end of the Moslem fasting month of Ramadan.

The Libyan leader called on Moslems to close ranks against "western Christian crusading forces". "We too have to beat the drums and close ranks and sharpen our swords and get ready for the confrontation."

Col Gadaffi's 45-minute oration came a day after the Security Council condemned Libya over attacks last Thursday against foreign missions in Tripoli. Venezuela's embassy was virtually destroyed in what were believed to be officially sanctioned demonstrations.

Libya has appealed to the International Court of Justice to rule that it can try the suspects in its own jurisdiction; but this avenue has been rejected by western states, who believe the terrorist attacks were ordered by the Libyan leadership in retaliation for the 1986 US bombing of Libya, in which Col Gadaffi's adopted daughter was killed.

Tokyo visit will help to rehabilitate China

By Robert Thomson in Tokyo

WHEN Jiang Zemin, the Chinese Communist party chief, lands in Toyko today he will be confident that his Japanese hosts will avoid the sensitive human rights questions that would inevitably be asked during a visit to Europe or the US.

The five-day visit, the first by a party general secretary since 1983, will be another important step towards international respectability for the Chinese leadership, which is still tainted by the crushing of the pro-democracy movement three years ago.

Jiang wants to direct Japanese attention to a just-completed sitting of the Chinese parliament, which re-embraced the principles of economic reform and strengthened the position of reformers within the Communist party.

However, he could face queries over a touchy territorial issue, the ownership of five uninhabited islands in the South China Sea known to Japan as the Senkaku group and to China as the Diaoyutai group.

Japanese say that a likely invitation from the Chinese leader for Emperor Akihito to visit Beijing later this year will receive a non-committal response until both countries agree that the islands are Japanese property.

Japan will ask that Jiang use his influence to dissuade North Korea from developing nuclear weapons, as Tokyo has been made uneasy by Pyongyang's persistent failure to permit inspections of its nuclear-related sites.

Beijing and Tokyo will congratulate each other on a fast-expanding economic relationship, although Jiang is likely to warn that a rapid increase in Japanese exports could become a bilateral problem.

Chinese officials have expressed concern about a 59.8 per cent increase in Japanese exports in February, compared to a year earlier, and a 36.1 per cent increase in exports to Hong Kong, many of which are thought to have entered southern China.

Tokyo insists that the dramatic increase is a natural result of the surge in China's economy over the past year, and that it also reflects the rapid development of export-oriented factories using components made in Japan.

If the human rights issue is raised, it will be done in the traditional, polite way, with Japanese officials encouraging Jiang to improve relations with the US and then making an indirect reference to Washington's concerns about human rights.

Jiang will ensure he is not too deferential to his hosts. During a 1983 visit, the late Hu Yaobang bowed in front of Japanese leaders, and this was cited by China's elderly revolutionaries as a good reason for his dismissal in 1987.

Moslem children look up while adults bow down in prayer during the festival of Eid Al-Fitr in Jakarta, Indonesia, yesterday

Pressure on Mexico in Nafta talks

US and Canadian trade chiefs are expected to press their Mexican counterpart at a meeting in Montreal today for concessions in key areas of negotiations towards a North American free trade agreement (Nafta), write Bernard Simon in Toronto and Nancy Dunne in Washington.

Mexican restrictions on imports of automotive products and on foreign investment in the energy industry are likely to be among the issues during the three-day meeting of US trade representative Mrs Carla Hills, Canadian trade minister Michael Wilson and Mexican commerce secretary Jaime Serra Puche.

Although a senior Canadian official said the meeting would lay the groundwork for the "final phase" of the Nafta negotiations, there is still uncertainty whether an agreement can be put in place before the US elections in November.

A Canadian official said "a considerable amount of work" remained to be done on some of the most sensitive issues.

The automotive sector is among those where the strongest disagreements remain. The three countries have so far failed to come up with common definitions for determining rules of origin.

Levy withdraws threat to leave Israeli government

By Hugh Carnegy in Jerusalem

A FRAGILE unity was restored to Israel's ruling right-wing Likud party yesterday when Mr David Levy, the foreign minister, withdrew at the last minute a threat to resign from the government that had exposed deep divisions in the Likud less than three months before a general election.

Mr Yitzhak Shamir, the prime minister, broke the deadlock after a week of crisis by agreeing to grant most of Mr Levy's demands. The two men met an hour before the weekly cabinet session at which the foreign minister had said he would tender his resignation.

Although reluctant to give ground, Mr Shamir clearly decided the continuation of the row with Mr Levy risked fatal damage for the party in the election campaign against a resurgent Labour opposition.

In a signed agreement with Mr Levy, Mr Shamir agreed to grant the foreign minister's supporters increased representation both in Likud internal institutions and in government appointments. Mr Levy himself was guaranteed his post as foreign minister in any Likud-led government and allowed to nominate another minister.

The agreement formalised Mr Levy's standing in the party, which he felt had been undermined. It met his complaint that his supporters – mainly from Israel's Sephardi, or Oriental Jewish, community – had been conspired against in recent party internal elections by Mr Shamir and his Ashkenazi, or European allies, Mr Moshe Arens, the defence minister, and Mr Ariel Sharon, the housing minister.

Both sides tried to play down the ethnic element. But it was clear that it had put at risk the Likud's traditional supremacy among the majority Sephardim, many of whose leaders have recently sharply criticised Mr Shamir's leadership.

Mr Levy immediately pledged to work to unite the party "in order to heal the wound". But the electorate may not be convinced by the sudden switch from furious feud to bland brotherhood.

Iranians bomb opposition base in Iraqi desert

IRANIAN aircraft bombed an Iranian opposition base in the Iraqi desert yesterday, their first raid into Iraq since a ceasefire in 1988, Reuter reports from Ashraf Base, Iraq. Anti-aircraft batteries shot down one, and the exiled Iranian Mujahideen Khalq said it captured two crewmen.

The Mujahideen showed foreign journalists bomb damage at Ashraf base, 60 miles from Baghdad, and the burning wreckage of a F-4 Phantom.

Iran said it had responded to a Mujahideen raid on two border villages on Saturday.

Officers of the Mujahideen's National Liberation Army (NLA) said a dozen Iranian F-4 and F-5 Phantoms attacked in six waves dropping cluster bombs, firing rockets and strafing roads and vehicles.

Hundreds of Iranian dissidents stormed Tehran's embassies throughout Europe and North America yesterday in protest at the bombing.

Damage was extensive, several buildings were set afire, and there were widespread injuries and arrests.

Iranian missions in Germany, France, Britain, Switzerland, Holland, Sweden, Norway and Canada were attacked. In New York, Tehran's mission to the UN was occupied and an employee held hostage. In London, embassy windows were broken and a petrol bomb was thrown at Iran Air's offices.

Debt burden setback for Latin America

By Stephen Fidler in Santo Domingo

PROGRESS in lowering Latin America's debt and debt service burdens was interrupted last year, according to the Inter-American Development Bank. In its annual report today, the bank says the ratio of debt service payments to exports – an important measure of the burden of servicing debt – rose from 26 per cent in 1990 to 30 per cent last year.

This was due in part to extra debt payments, for example by Brazil, to clear arrears with commercial banks. But it also reflected a slowing in demand for the region's exports stemming from the economic slowdown in the industrial countries, depressed and declining commodity prices and deteriorating terms of trade.

Since demand for imports also rose as investment and output increased, the region's trade surplus shrank and its current account deficit expanded substantially.

The stock of the debt of Latin America and the Caribbean fell slightly last year from the end-1990 level of $431.8bn (£251bn), as debt conversions roughly offset an increase in debt associated with new lending and exchange rate changes.

However, foreign direct investment and portfolio investment continued to rise last year. This continued a trend in evidence since 1987: a rise in the proportion of the region's resource inflows "which do not create debt".

These inflows more than covered the region's rising current account deficit, allowing for a rise in its international reserves. In fact, for some countries, increased imports were the consequence of high real exchange rates associated with the large capital inflows.

In a generally positive assessment, the bank said Latin America and the Caribbean made impressive gains in economic growth last year, averaging 2.7 per cent. Nonetheless, average per capita output in the region is still only at the level of a decade and a half ago.

This has contributed to "severe social problems" deriving from high unemployment, depressed incomes and poor provision of social services.

Many countries plan new initiatives to alleviate poverty, increasing the cost effectiveness of the delivery of social services and improving the targeting of such services.

During 1991, the bank approved loans for more money than in any previous year: 77 loans committing $5.42bn, an increase of nearly 40 per cent on 1990. Of the total, $2bn was committed in fast-disbursing balance of payments loans designed to encourage economic reform. Nicaragua and Peru cleared the arrears with the bank in 1991, allowing them to resume borrowing from the bank. Panama has done so this year, leaving no countries with so-called non-accrual status.

Worries at White House denied

By Nancy Dunne in Washington

THE White House is on the defensive about reports of an operational "gridlock" over President George Bush's agenda and of rushing to publicise a $24bn (£14bn) international aid programme for Russia for domestic political reasons before details of the package had been agreed.

Mr Marlin Fitzwater, the president's spokesman, has denied a story in the Washington Post that frustration with a sluggish White House bureaucracy has driven him to the *brink of resignation.*

He praised the "strong management team" put in place by Mr Sam Skinner, Mr Bush's chief of staff.

However, the Post and other press reports are describing a White House hampered by "mini-bureaucracy" which has been unable to bridge differences with campaign officials to fashion themes for the president's re-election campaign.

One political achievement – the Russian aid package – is now being criticised in Japan, where officials said the programme announced was larger than had been agreed. Canadian officials also seemed confused about the numbers, and the US State and Treasury Departments have each had different estimates of the American contribution.

This has raised suspicions, denied by the White House, that the administration rushed through the announcement of the aid before details had been agreed by the Group of Seven industrial nations.

● Governor Mario Cuomo of New York said Mr Bill Clinton was likely to be the Democratic nominee for president, whether or not he wins the New York primary tomorrow. He urged the governor to meet congressional leaders to draw up a plan for the economy.

INTERNATIONAL ECONOMIC INDICATORS: HEALTH CARE SPENDING

This table compares international health care spending. Real growth rates are derived in the first section using the general GDP deflator, and in the second section using the appropriate health care deflators. The third section shows spending as percentages of nominal GDP. The fourth section shows spending per head in US dollars at current purchasing power parities (PPPs).

UNITED STATES

Annual avg. real growth rates, using GDP Deflator	Total Health Spending	Public Health Spending	Public Health Investment	GDP Deflator	Real GDP
1970-80	5.2	6.4	−1.0	7.3	2.8
1980-90	5.9	6.0	−1.4	4.2	2.9
1970-74	5.1	7.1	1.8	8.3	3.1
1974-79	5.1	5.9	−3.2	7.8	3.0
1979-90	5.8	6.0	−1.3	4.6	2.6
Annual avg. real growth rates, using Health Deflator	**Total Health Spending**	**Public Health Spending**	**Public Health Investment**	**Health Deflator**	**Real GDP per head**
1970-80	4.7	6.0	−1.5	7.8	1.8
1980-90	3.2	3.2	−3.9	6.9	1.9
1970-74	5.6	7.6	2.0	5.9	2.1
1974-79	4.2	5.0	−4.0	8.7	2.1
1979-90	4.2	3.4	−3.8	7.3	1.6
As shares of GDP	**Total Health Spending**	**Public Health Spending**	**Public Health Investment**	**Cur.Pub. Health Spending**	**Total Public Spending**
1970	7.4	2.7	0.1	2.6	31.7
1975	8.4	3.5	0.1	3.4	34.7
1980	9.3	3.9	0.1	3.8	32.5
1985	10.7	4.4	0.1	0.1	32.9
1990	12.4	5.2	0.0	5.2	n.a.
Per head in US$ at current PPPs	**Total Health Spending**	**Public Health Spending**	**Public Health Investment**	**Cur.Pub. Health Spending**	**GDP**
1970	346	129	5	124	4,695
1980	1,063	447	8	439	11,419
1990	2,566	1,089	9	1,079	20,774

JAPAN

Annual avg. real growth rates, using GDP Deflator	Total Health Spending	Public Health Spending	Public Health Investment	GDP Deflator	Real GDP
1970-80	8.5	8.7	8.2	7.6	4.6
1980-90	4.3	4.8	2.1	1.4	4.1
1970-74	7.8	9.4	14.3	11.0	4.9
1974-79	8.4	8.5	4.2	5.7	4.3
1979-90	5.0	5.0	2.4	1.6	4.2
Annual avg. real growth rates, using Health Deflator	**Total Health Spending**	**Public Health Spending**	**Public Health Investment**	**Health Deflator**	**Real GDP per head**
1970-80	9.0	9.2	8.7	7.1	3.4
1980-90	3.3	3.6	1.1	2.3	3.5
1970-74	11.4	13.1	18.1	7.5	3.3
1974-79	6.0	6.1	1.9	8.0	3.2
1979-90	4.3	4.3	1.7	2.3	3.6
As shares of GDP	**Total Health Spending**	**Public Health Spending**	**Public Health Investment**	**Cur.Pub. Health Spending**	**Total Public Spending**
1970	4.4	3.1	0.2	2.9	18.9
1975	5.5	4.0	0.2	3.8	26.5
1980	6.4	4.5	0.2	4.3	31.9
1985	6.5	4.7	0.2	4.5	32.0
1990	6.5	4.9	0.2	4.7	n.a.
Per head in US$ at current PPPs	**Total Health Spending**	**Public Health Spending**	**Public Health Investment**	**Cur.Pub. Health Spending**	**GDP**
1970	126	88	5	83	2,836
1980	515	365	19	345	8,018
1990	1,113	830	n.a	n.a	17,019

GERMANY

Annual avg. real growth rates, using GDP Deflator	Total Health Spending	Public Health Spending	Public Health Investment	GDP Deflator	Real GDP
1970-80	6.5	7.3	3.8	5.2	2.7
1980-90	1.6	1.3	−1.0	2.9	2.7
1970-74	9.2	11.9	8.3	6.6	3.1
1974-79	4.7	4.2	−1.3	4.3	2.8
1979-90	1.9	1.6	0.1	3.1	2.0
Annual avg. real growth rates, using Health Deflator	**Total Health Spending**	**Public Health Spending**	**Public Health Investment**	**Health Deflator**	**Real GDP per head**
1970-80	5.9	8.7	3.2	5.8	2.8
1980-90	1.3	1.0	−1.4	3.3	1.8
1970-74	8.6	11.3	7.7	7.2	2.5
1974-79	4.3	3.6	−1.7	4.7	3.0
1979-90	1.5	1.27	−0.3	3.5	1.7
As shares of GDP	**Total Health Spending**	**Public Health Spending**	**Public Health Investment**	**Cur.Pub. Health Spending**	**Total Public Spending**
1970	5.9	4.1	0.4	3.7	39.1
1975	8.1	6.3	0.4	5.8	49.6
1980	8.4	6.3	0.4	5.9	49.0
1985	8.7	6.4	0.4	6.0	48.0
1990	8.1	5.9	0.3	5.6	46.5
Per head in US$ at current PPPs	**Total Health Spending**	**Public Health Spending**	**Public Health Investment**	**Cur.Pub. Health Spending**	**GDP**
1970	199	138	12	128	3,384
1980	740	555	36	519	8,790
1990	1,287	935	n.a	n.a	15,943

FRANCE

Annual avg. real growth rates, using GDP Deflator	Total Health Spending	Public Health Spending	Public Health Investment	GDP Deflator	Real GDP
1970-80	6.0	6.6	4.7	9.6	3.6
1980-90	3.9	3.8	0.2	6.3	2.4
1970-74	6.5	6.9	10.5	8.4	4.3
1974-79	6.2	6.8	2.0	10.7	3.4
1979-90	3.9	3.4	−0.2	6.7	2.5
Annual avg. real growth rates, using Health Deflator	**Total Health Spending**	**Public Health Spending**	**Public Health Investment**	**Health Deflator**	**Real GDP per head**
1970-80	7.2	7.8	5.8	8.7	2.7
1980-90	5.0	4.4	1.3	5.2	1.8
1970-74	7.0	7.4	11.0	7.9	3.6
1974-79	8.0	8.6	3.8	6.8	2.3
1979-90	4.9	4.4	0.8	5.7	1.7
As shares of GDP	**Total Health Spending**	**Public Health Spending**	**Public Health Investment**	**Cur.Pub. Health Spending**	**Total Public Spending**
1970	5.8	4.3	0.3	4.1	38.4
1975	7.0	5.4	0.2	5.1	43.4
1980	7.6	6.0	0.4	5.7	46.1
1985	8.5	6.5	0.1	6.3	52.2
1990	8.9	6.6	0.2	6.4	n.a.
Per head in US$ at current PPPs	**Total Health Spending**	**Public Health Spending**	**Public Health Investment**	**Cur.Pub. Health Spending**	**GDP**
1970	192	143	8	136	3,297
1980	656	517	23	494	8,687
1990	1,379	1,022	34	989	15,568

ITALY

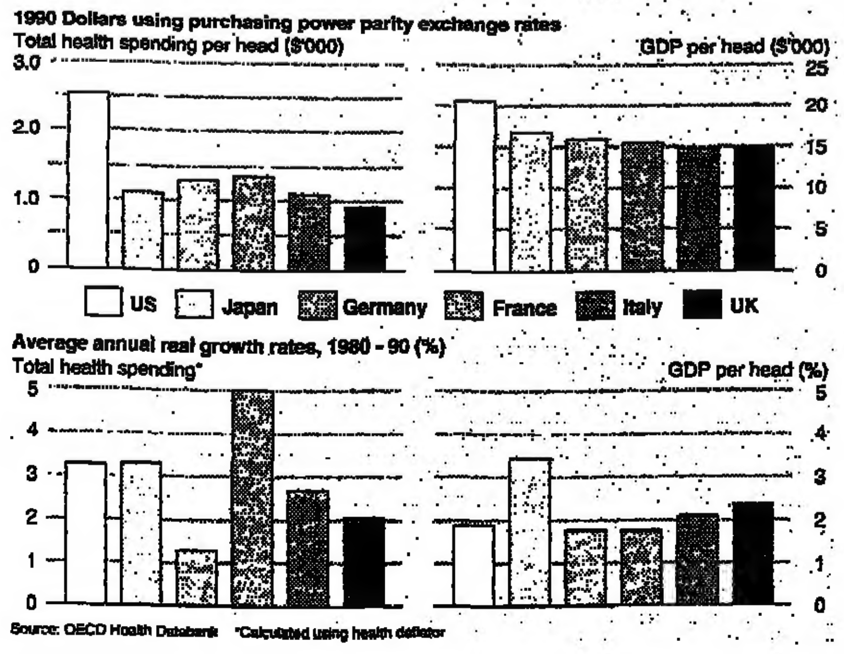
Annual avg. real growth rates, using GDP Deflator	Total Health Spending	Public Health Spending	Public Health Investment	GDP Deflator	Real GDP
1970-80	6.6	6.1	6.2	14.8	3.8
1980-90	3.4	2.9	−25.6	10.3	2.4
1970-74		6.5	12.1	11.4	4.3
1974-79	3.2	3.3	−5.3	16.5	3.4
1979-90	4.8	3.6	−19.2	11.2	2.5
Annual avg. real growth rates, using Health Deflator	**Total Health Spending**	**Public Health Spending**	**Public Health Investment**	**Health Deflator**	**Real GDP per head**
1970-80	7.0	3.8	5.9	14.4	3.3
1980-90	2.7	1.7	−7.3	11.1	2.1
1970-74	8.8	4.9	8.5	10.5	3.6
1974-79	4.0	2.3	−6.2	15.7	2.9
1979-90	3.7	2.2	−1.8	12.3	2.3
As shares of GDP	**Total Health Spending**	**Public Health Spending**	**Public Health Investment**	**Cur.Pub. Health Spending**	**Total Public Spending**
1970	5.2	4.5	0.3	4.2	32.1
1975	6.1	5.2	0.3	5.0	39.1
1980	6.8	5.6	0.3	5.2	42.0
1985	7.0	5.4	0.3	5.3	51.1
1990	7.6	5.9	0.2	5.7	53.5
Per head in US$ at current PPPs	**Total Health Spending**	**Public Health Spending**	**Public Health Investment**	**Cur.Pub. Health Spending**	**GDP**
1970	147	127	7	120	2,845
1980	541	444	31	413	7,969
1990	1,113	865	n.a	n.a	14,727

UNITED KINGDOM

Annual avg. real growth rates, using GDP Deflator	Total Health Spending	Public Health Spending	Public Health Investment	GDP Deflator	Real GDP
1970-80	4.3	4.6	1.0	14.0	2.0
1980-90	3.4	2.9	1.9	6.3	2.6
1970-74	6.8	7.7	5.5	9.6	2.8
1974-79	2.2	2.1	−1.2	16.3	2.1
1979-90	3.5	3.0	1.0	7.4	2.1
Annual avg. real growth rates, using Health Deflator	**Total Health Spending**	**Public Health Spending**	**Public Health Investment**	**Health Deflator**	**Real GDP per head**
1970-80	4.8	2.6	−1.1	13.4	1.8
1980-90	2.1	1.5	0.6	7.6	2.4
1970-74	8.5	3.3	1.2	8.1	2.5
1974-79	3.2	3.0	−0.4	15.2	2.1
1979-90	1.8	1.2	−0.6	9.2	2.0
As shares of GDP	**Total Health Spending**	**Public Health Spending**	**Public Health Investment**	**Cur.Pub. Health Spending**	**Total Public Spending**
1970	4.5	3.9	0.3	3.6	39.6
1975	5.5	5.0	0.3	4.6	46.4
1980	5.6	5.0	0.3	4.9	42.3
1985	5.8	5.1	0.3	4.9	44.1
1990	6.1	5.2	0.2	5.0	n.a.
Per head in US$ at current PPPs	**Total Health Spending**	**Public Health Spending**	**Public Health Investment**	**Cur.Pub. Health Spending**	**GDP**
1970	144	125	10	116	3,199
1980	445	398	21	387	7,899
1990	909	772	n.a	n.a	14,907

Sources: OECD Health Databank. Health care systems in transition. With thanks to Jean-Pierre Poullier, Directorate for Social Affairs, OECD. Notes: The 1990 figures for investment and Current public health spending as percentages of GDP for Japan, Germany and the UK are estimates. Any remaining errors are our own.

Who spends the most on health ?



Source: OECD Health Databank *Calculated using health deflator

Health warning: these comparisons may be harmful

THERE ARE lies, damned lies, statistics, and statistics about health care spending. Few public policy areas are more notorious for their ability to confuse and bemuse the uninitiated. The variety of misleading and often contradictory indicators makes international comparisons of the output and efficiency of national health care systems prohibitively difficult. Even the deceptively simple task of comparing the quantity of resources devoted to health care can be misleading.

The information presented above is compiled from the OECD's Health Databank. It is collected from national sources and will inevitably reflect the very different health care systems in each of the six countries included in the table: whether provision is predominantly public or private, provided free or via an insurance system, and the relative importance of hospital and ambulatory provision within total spending.

Real health expenditure can be compared using more or less sophisticated measures. The UK government uses the simpler technique of deflating total health spending using the gross domestic product deflator which is based on the prices of all domestically produced goods. On this measure, real health spending in the UK grew at an average annual rate of 3.5 per cent between 1979 and 1990. Because UK health spending grew faster than GDP, total health spending rose as a percentage of GDP from 5.6 per cent in 1980 to 6.1 per cent in 1990. But the UK's share of health spending in total GDP remains the lowest of all six countries.

Yet both these measures give a misleading impression of the growth in real resources that were devoted to UK health care in the 1980s. The OECD calculates a more accurate measure of the real growth of health spending using a special health deflator. It is based on an index of health care input prices: the wages of health workers, ambulatory services, therapeutic appliances, and pharmaceuticals.

This more sophisticated measure paints a less impressive picture of the UK government's record over the past decade. The average annual growth of real health care spending between 1979 and 1990 falls to 1.8 per cent, lower than the average rate of growth of both GDP and GDP per head. Much of the growth in total spending was in private health provision. Public health spending grew by only 1.2 per cent a year and accounted for two-fifths of the total rise in spending as a percentage of GDP over the 1980s. This goes some way to explaining the apparent contradiction between the rise in the share of health spending in GDP and Labour's claim the National Health Service is underfunded.

Only Germany had a slower growth rate of total real health spending per head in the 1980s, although the growth rate of UK GDP per head was higher than in any country except Japan. France, by contrast, *had the fastest growth of real health* spending in the 1980s but the lowest real growth rate of GDP per head.

Yet there is a relatively robust relationship between the level of GDP per head and the level of real health spending per head. The upper chart shows them both in 1990 dollars, using purchasing power parity exchange rates to adjust for cross-country price level differences. The US has both the highest GDP per head and the highest real health spending per *head. The* UK has the lowest level of health spending and almost the lowest GDP per head. Japan's health care spending is much lower than would be predicted by its income per head. But the relatively rapid ageing of the Japanese population over the next two decades may bring it into line.

The wealthier a country is, the more it tends to spend on health care; but more spending may not mean better quality care. The US spends over twice as much as the UK as a percentage of GDP; but over 10 per cent of the US population has no assured access to health care. Nonetheless, the likely shortage of economic growth in the UK over the next two or more years will constrain the quantity of health spending, whoever wins the election.

Chris Flood and Edward Balls

ELECTION 1992

Major warns of constitutional 'danger'

By Alison Smith

AN IMPASSIONED call to Britain to wake up to the "sleeping" constitutional issues to be decided in the election came yesterday from Mr John Major.

As the campaign entered its final few days, Mr Major strongly attacked the potentially disastrous consequences of a Labour government. He warned that if people did not understand what was at stake "we could take the sword of socialism and fall on it, and if we did, our country would fall with it".

In contrast to his apocalyptic tones on the constitutional issue, Mr Major highlighted the "golden prospects" for the economy under the Tories, and the achievements of the 1980s. He said the day after a Tory victory, industry would "breathe a sigh of relief that the threat of socialism is gone" and begin investing again.

The style of the Tory rally at London's Wembley conference centre, using a £500,000 circular set that seated about 1,000 people, was in deliberate contrast to Labour's extravaganza in Sheffield last week. Mr Major suggested the rival rally was somewhat "unBritish" in its regimentation.

Instead the format was that used for similar occasions around the country during the campaign. The main difference was that there were sporting and showbusiness celebrities sprinkled about the audience.

The main thrust of Mr Major's speech was that people should realise the threat from the proposals for devolution or separation for Scotland put forward by the other parties.

He said: "If I could summon up all the authority of the office I now hold, through the ages, I would put it into this single warning. The United Kingdom is in danger. Wake up now before it is too late.

"Consider the outcome – the walls of this United Kingdom that appear so strong, undermined from within."

In an implicit appeal to former Tory voters inclined to support the Liberal Democrats, he spoke of the risk that people were treating Thursday's poll as a by-election and wanted to register a protest vote without really recognising that the government elected as a result would actually take office.

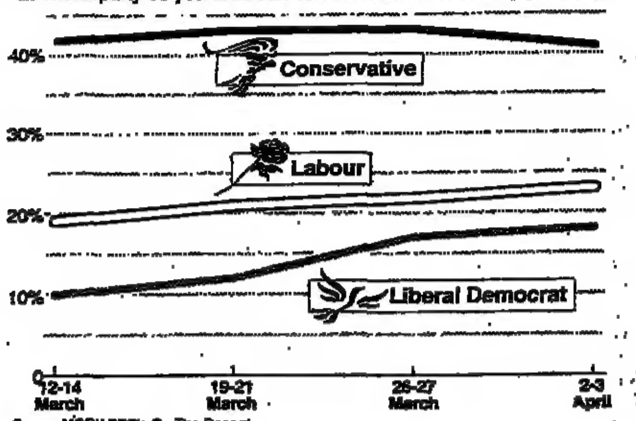
He also highlighted two other threats to the UK constitution: the opposition parties' attitude to the European Community, and proportional representation.

"The Lib-Lab left would not speak for Britain in Brussels, they would act for Brussels in Britain," he said. Again linking Labour and the Liberal Democrats, he accused them both of toying with the constitution almost casually for political advantage.

Following Mr Kinnock's denunciation last week of the "sin" of parents facing the choice of having to pay or to wait for an operation on their child, Mr Major vigorously insisted that it was right for family members to want to take care of each other.

Handling the economy

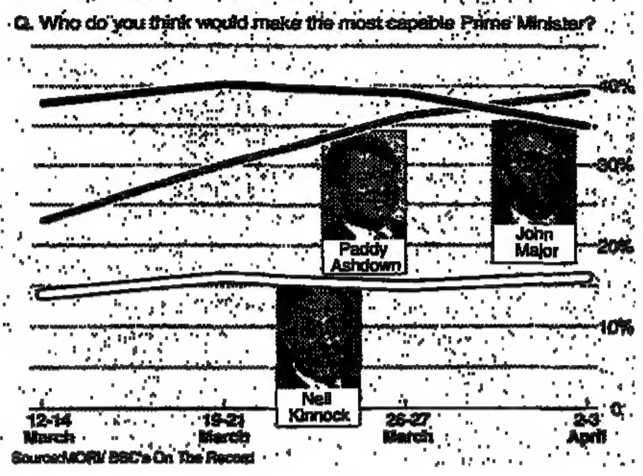
Q. Which party do you think can best handle the economy generally?



Source: MORI/ BBC's On The Record

Most capable PM

Q. Who do you think would make the most capable Prime Minister?



Source: MORI/ BBC's On The Record

Polls highlight PM's dilemma

By John Curtice

THE CONSERVATIVES enter the final few days of the campaign behind Labour, and their chances of closing the gap do not look promising.

Although many opinion polls have shown that the electorate as a whole thinks Mr John Major would be a more capable prime minister than his rivals, his party's campaign has failed *to persuade floating voters that* Tory policies are the best or that he is the most capable leader.

These are the main conclusions of a survey of floating voters conducted by Mori for the BBC.

The findings of the fifth wave of interviews among this panel, conducted on Thursday and Friday of last week, show that just 16 per cent of the electorate are still in the "floating" category, made up of 2 per cent who say they will not vote, 2 per cent who are still undecided and 12 per cent who say they now support a party but who "may change their mind" before polling day.

Only about two in three of these will vote on the day, leaving one in 10 of the electorate for the parties to fight over in the final days of the campaign.

Before the campaign began no fewer than 39 per cent of the electorate were "floaters", including 15 per cent classed as "don't know's", and 24 per cent "soft supporters" – for example, those with stated party loyalties but possibly willing to switch.

According to other Mori polls, the key issues in the minds of the voters are health, *education and jobs.*

Among the floating voters in the Mori/BBC panel, Labour has a wide lead over the Conservatives on health (23 points) and unemployment (28 points), but on education the Liberal Democrats beat both the larger parties, with 33 per cent to Labour's 29 per cent and the Conservatives' 28 per cent.

During the campaign the *Conservatives have made no* ground at all on Labour over health and education. On the handling of inflation, they have maintained a strong lead over Labour – 48 per cent to 19 per cent. However, on unemployment the Conservatives have gained three points but still lag 28 points behind Labour.

The tax issue has failed to ignite in the way the Conservative party hoped; floating voters have not rated it high as an issue.

This may partly be explained by the finding that only 3 per cent of the panel said they expected the Conservatives to cut the overall level of tax "a lot" and a majority, 57 per cent, don't think the Tories would cut tax at all.

The Tories' crucial weaknesses seem to be mood and record.

Members of the panel were asked whether they agreed or disagreed that "it's time for a change". Three in four of the panel agreed, including more than a third of those inclined to vote Conservative.

Superficially, the government's record appears not to be a problem. Only one in 10 floating voters feel that the Major government bears responsibil*ity for the recession, whereas* just more than half blame Mrs Margaret Thatcher's government, with a similar proportion blaming the world economy.

This "Teflon factor", however, does not really protect Mr John Major because floating voters who blame the Thatcher government have been more reluctant to switch to the *Tories during the campaign* than those who do not.

Only one in four Conservative switchers blame Mrs Thatcher, compared with almost three quarters of Labour switchers. Since more than half those on the panel who are still wavering also believe the Thatcher government bears blame for the recession, they may be more likely *to switch to Labour rather* than the Conservatives.

Meanwhile, Labour has made up ground on the economy. The Conservatives began the campaign with a significant 42 per cent to 19 per cent lead over Labour as the party which floating voters think can best handle the economy, a lead of 23 points. By the end of last week they were recording 41 per cent to the Labour party's 23 per cent, losing five points of their lead along the way. The Liberal Democrats boosted their level from 10 per cent to 18 per cent.

There has also been a big switch in the floating voter view of the battle between the party leaders. At the start of the campaign Mr Major had a 15 per cent lead over Mr Paddy Ashdown as "the most capable prime minister", with Mr Neil Kinnock trailing a poor third.

By this weekend Mr Kinnock still trailed at 16 per cent, but Mr Ashdown had overtaken Mr Major, with 39 per cent to the prime minister's 35 per cent.

When asked which party leader had been most impressive during the campaign, a majority of the floating voters (54 per cent) picked Mr Ashdown, a sharp rise from the 38 per cent who expressed this *view after one week of campaigning.*

Mr Major's campaign rating has fallen to 14 per cent, behind Mr Kinnock. One explanation for Mr Ashdown's success in the campaign might be the fact that floating voters think he has fought positively on his party's issues.

Three floaters in four think *the Liberal Democrats* have mainly put forward their own policies rather than attacking the other parties. Three in four (76 per cent) think the Conservatives have mainly attacked their opponents; six in 10 say the same of Labour.

Floating voters are split on the idea of coalition government.

Half say it would be better *for Britain to be governed by a* single party, while 46 per cent would prefer a coalition.

John Curtice is senior lecturer in politics at Strathclyde University.

The BBC survey was undertaken by Mori in five waves, starting the week before the election campaign began. Mori spoke by telephone to 1,146 panellists, weighted to reflect the profile of all floating voters on April 2-3.

Voters seem resigned to a hung parliament

By Philip Stephens, Political Editor

BRITAIN appears set for a hung parliament after Thursday's election but there is little enthusiasm for the prospect among the voters.

The message of the latest batch of opinion polls is that the two central elements in the Conservative strategy – tax and Mr John Major's leadership – have failed to close the narrow lead which Labour established at the outset of the campaign.

Late swings in past elections – in 1970 and February 1974 – have seen bigger leads overturned, but senior cabinet ministers were among those Conservatives who were suggesting yesterday that the best Mr Major could now hope for was to emerge as the leader of the largest party in a hung parliament.

The health service, unemployment and education rather than taxation remain overwhelmingly the issues which the voters say are uppermost in their minds, while Mr Major's soapbox performances around the country have failed to prevent a further erosion in his personal lead over Mr Neil Kinnock.

The FT's poll of polls (which excludes yesterday's two panel surveys) puts Labour at 39.4 per cent against the Conservatives on 37.1 per cent and the Liberal Democrats on 19.4 per cent.

Translated into representation at Westminster that would give Labour 307 seats, 19 short of an overall majority, while the Conservatives would be on 296. That would leave the Liberal Democrats holding the balance of power.

Two polls published yesterday signal that the voters have been persuaded that neither of the main parties is likely to win an overall majority.

Gallup for the Sunday Telegraph suggests that 71 per cent expect a hung parliament. Only 18 per cent welcome the prospect, 50 per cent are unhappy with the idea and the remainder are unconcerned either way.

NOP for the Mail on Sunday found that 40 per cent of the electorate think a coalition government would be "bad" for Britain, while 38 per cent were in favour.

The surveys point to a continuing slide in Mr Major's lead over Mr Kinnock as the most competent party leader. A Mori panel survey for The Sunday Times says that the 26-point lead in satisfaction ratings with which Mr Major started the campaign had by last week shrunk to nothing. Both leaders enjoyed a net rating (the satisfieds minus the dissatisfieds) of 2 per cent.

An ICM poll for the Sunday Express found that 38 per cent of voters said Mr Major would make a better prime minister than his rivals. Mr Kinnock scores 25 per cent and Mr Paddy Ashdown 19 per cent.

Mori suggests that the Conservatives' sustained onslaught on Labour's tax policies has yet to persuade the electorate that tax is the issue on which they should decide their vote.

Although they may change their minds in the privacy of the voting booth, the survey suggests only 13 per cent regard their tax bills as the central issue, while 59 per cent highlight the health service as a deciding factor.

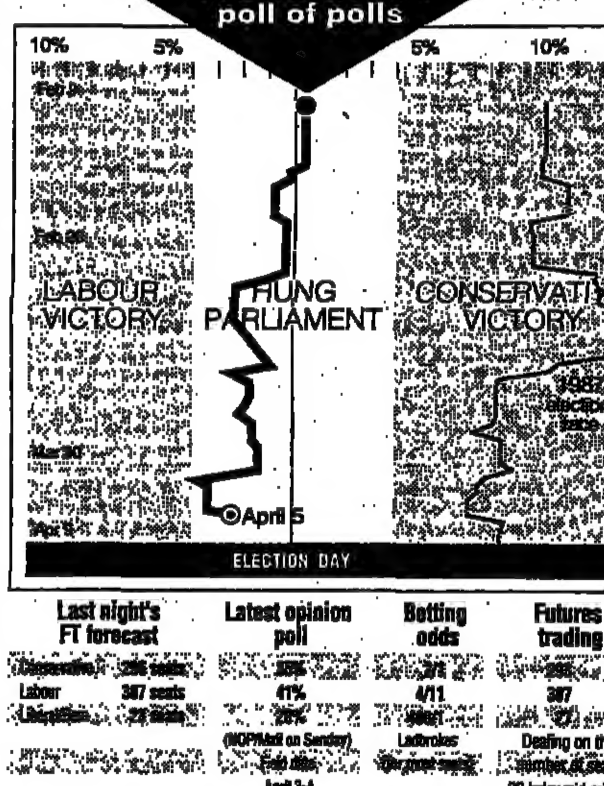
● The Tories could lose the marginal Birmingham seat of Selly Oak, according to an opinion poll.

It would mean the disappearance from Westminster of Mr Anthony Beaumont-Dark, one of the most vocal of Tory backbenchers.

A Quality Fieldwork poll for the Birmingham Post newspaper put Labour eight points ahead of the Conservatives. In 1987 Mr Beaumont-Dark retained the seat with a majority of 2,584 over Labour in a four-cornered contest.

Quality Fieldwork interviewed 921 voters in the constituency on March 31 and April 1.

Who leads in FT poll of polls



Last night's FT forecast	Latest opinion poll	Betting odds	Futures trading
[illegible]	[illegible]	[illegible]	[illegible]
Labour 307 seats	41%	4/11	307
[illegible]	[illegible]	[illegible]	[illegible]
	(NOP/Mail on Sunday)	Ladbrokes	Dealing on the [illegible]
	April 3-4		(IG Index mid-prices)

* Weighted average of six most recent opinion polls computed daily. Does not include telephone polls, panel polls and those that omit sample size or field dates. The graph compares the parties' leads at similar points in the last campaign. The middle line marks level-pegging. If the black line moves left, Labour leads. The Tories lead if it goes to the right.

SNP fails to bridge gap in Scotland

LABOUR has retained a commanding lead over the *Scottish* National party in Scotland, according to two weekend opinion polls. These contradicted a poll last week showing a narrowing of the gap between the two parties, James Buxton writes.

Mori in The Sunday Times newspaper put Labour on 44 per cent and Market Research Scotland put the party on 43 per cent, in line with the findings of most polls since the campaign began. Backing for the SNP was 27 per cent in the MRS poll and only 23 per cent in the Mori survey.

The Conservatives were on 21 per cent in the Mori poll and on 18 per cent according to MRS.

The standing of the Liberal Democrats was slightly improved compared with recent polls, with Mori putting them on 12 per cent and MRS on 11 per cent.

Defeat forecast for Chalker

MRS Lynda Chalker, the overseas development minister, could be defeated on Thursday, according to an opinion poll of her Wallasey constituency by *the Liverpool Echo newspaper.*

The Conservatives may also lose the nearby seat of Chester, which Mr Gyles Brandreth, the broadcaster, is contesting following the retirement of Sir Peter Morrison, Mrs Thatcher's last parliamentary private secretary.

The Echo poll shows Mrs Chalker trailing Labour's Ms Angela Eagle by 7 per cent. Ms *Eagle has 45 per cent of those* who have already made up their minds, Mrs Chalker 38 per cent, and Mr Neil Thomas, the Liberal Democrat, 16 per cent. A Green party candidate has 1 per cent. The sample was 841 people.

In Chester, a poll by the Liverpool Daily Post newspaper shows Labour in the lead by 42 per cent to 37 per cent, *with the Liberal Democrats on* 20 per cent. The sample was 502 people.

NHS wins praise from electorate

AN increasing number of patients are satisfied with the National Health Service, according to a Harris poll for the *Daily Express newspaper.*

It found that 88 per cent were satisfied with their treatment and 82 per cent with the time they were kept waiting.

A similar study last year showed 67 per cent were happy with the time they waited.

Harris questioned 1,079 voters who had received hospital treatment over the past two years, in 100 constituencies between last Thursday and Saturday.

Trevor Humphries

Campaign clicks: Liberal Democrat leader Paddy Ashdown faces press photographers in London yesterday

Coalition terms will test Liberal Democrat mettle

By Ralph Atkins

MR PADDY Ashdown admitted yesterday that "difficulties and tensions" would be created in Liberal Democrat ranks by the party's tough terms for a coalition government in a hung parliament.

Reiterating his demand for a commitment to proportional representation in the first session of the new parliament, Mr Ashdown acknowledged that "the mettle of my party, and the parliamentary party, will be tested".

He also warned on London Weekend Television's Walden programme that, if a second general election were necessary, "it'll be better that it would be sooner rather than later. At least we would get over the period of unstable, weak government."

He accepted he might be blamed for causing a second contest but denied that the pressures on Liberal Democrat MPs would be intolerable.

His comments came amid signs of growing realisation among prominent members of the party that a hung parliament would hold considerable danger, possibly wrecking Liberal Democrat unity.

"Part of the reason why nobody has gone out banging on for a hung parliament is that it is full of pitfalls and problems," admitted one party strategist.

Mr Ashdown has been able to reconcile the comments of senior colleagues with his own stance, but differences of emphasis are evident.

Scottish Liberal Democrats, including Mr Charles Kennedy, the party president, and Sir David Steel, former Liberal leader, have hinted they would be happy with a less fierce commitment to proportional representation. Many of the Scottish Liberal Democrat former MPs put greater emphasis on Scottish devolution rather than Westminster reform.

The Liberal Democrat terms for a coalition government were thrashed out and agreed by the parliamentary party well before the general election. During the campaign, however, Mr Ashdown has had only brief conversations with most of his former parliamentary colleagues.

Yesterday he tried to increase the pressure on Labour and the Tories to form a coalition government, while simultaneously remaining firm on his terms for a deal. He called for a "partnership" working at all levels of government, including cabinet posts for Liberal Democrats.

In a party election broadcast last night, Mr Ashdown urged "the kind of government that has made Germany so strong".

He promised to make compromises and to work for an agreement, but "we will definitely insist... that this should be the last election held on an unfair and out-of-date voting system".

Speaking on LWT, Mr Ashdown warned that if neither Labour nor the Tories formed a coalition "you would have six months of a minority government – weak, unable to tackle the problems of the recession, with money markets dropping and interest rates rising. Now that is a devastating scenario."

Labour plays game of Paddy in the middle

Ivo Dawnay on moves to curtail Ashdown's influence in a hung parliament

EVEN before a single vote is cast, Labour's game plan for the last three days of campaigning is being carefully formulated to maximise the party's leverage in the event of a hung parliament.

The aim is to stress a programme for government finely tuned to appeal to Liberal Democrats and calculated to create nightmarish difficulties for Mr Paddy Ashdown should he want to persuade his MPs to vote it down.

Before April 9 the message to voters is that Labour *can* be trusted. As Mr Bryan Gould, the shadow environment secretary, told a London news conference yesterday, Labour's intention is to build a national consensus beyond party politics. "We do not intend to reproduce the disastrous experience of the Thatcher government, in which the winner-takes-all attitude was thought to be justification for inflicting extremist policies, such as the poll tax," he said.

This consensual appeal is intended to counter the Conservatives' claim that a vote for anyone other than Mr Major is a vote for a radical Kinnock government. As one Labour strategist put it yesterday: "We want not just to hold on to the votes of those who have come to us from the Lib Dems, but also to ensure that the Tory voters now going for Paddy Ashdown don't shift back."

But there is a another game also being played: a game of political chicken that begins just as soon as the votes are counted. If, as almost all the pundits currently expect, Labour were to be the largest party in a hung parliament, its first objective is to formulate a Queen's Speech that commands the widest possible support. Mr Ashdown has said he will order his MPs to vote down any Labour programme that does not offer immediate legislation to introduce electoral reform for the Commons. But will he really do so if Labour's legislative package is full of Liberal Democrat policy objectives? And, if he does, will his troops follow?

Labour party strategists say Mr Kinnock will not seek any formal pact with the Liberal Democrats in these circumstances. He will, instead, try to create the conditions where Mr Ashdown is unable to persuade his Scots MPs to oppose Labour's programme.

That process began last week when Labour outlined a Queens' Speech of which the flagship bill will be the legislation to create a Edinburgh parliament – exactly along the lines painstakingly hammered out with Scots Liberal Democrats in the Scottish convention.

Other bills on such issues as Freedom of Information will also prove difficult for the Liberal Democrats to oppose, as will the increases in pensions and child benefit: all proposals broadly parallel to those in Mr Ashdown's manifesto.

To muddy the water further, Mr Kinnock and his team stressed last week that they are going a long way down the electoral reform road. Without any prior commitments, they are promising to convert Professor Raymond Plant's working party on electoral systems into an all-party commission, to report within a year.

Although Mr Kinnock has expressed a personal preference to put the commission's ultimate conclusions on reform to the public at a general election, he has raised the option of a referendum once a decision on the best electoral system is reached.

As Mr Roy Hattersley, Labour's deputy leader, put it last week, can the Liberal Democrats really reasonably expect more when so large a question is at issue?

With Mr John Major and the Conservatives definitively ruling out any discussion of a revision of the first-past-the-post system – "never, never, never" were the prime minister's words – the Liberal Democrats cannot possibly reach an accord with the Tories.

If the Conservatives voted against Labour's Queen's Speech, the Liberal Democrats' might well have to decide whether to vote it down and force another election, or to abstain.

Mr Kinnock's team believes that if Mr Ashdown demands that his MPs vote the speech down, many of his Scottish MPs will rebel – knowing that to be seen throwing out legislation for a Scottish parliament will destroy *their chances* in the subsequent election.

Publicly, Mr Ashdown has been categorical in his rejection of anything short of legislation in the first session for electoral reform. Even were this to be on offer, serious complications would arise – not least in agreeing rapidly what form of proportional representation should be adopted.

Labour *is convinced that the* Liberal Democrats' dogmatic stance is a bluff as voters would take a fierce revenge on any party that forced another election immediately.

If a hung parliament with Labour as the largest party is the election's outcome, it will not be long before Mr Ashdown's real hand has to be put down on the table.

ELECTION 1992

Kinnock speaks up for listening party

By Ivo Dawnay, Political Correspondent

MR Neil Kinnock redoubled his charm offensive on floating voters yesterday by contrasting a Conservative government that "insists it knows best" with a Labour administration that "will heed the people and act for their well-being".

In a speech to a gathering of celebrity supporters in London last night, the Labour leader said voters have a "straight choice" between change and "more of the same".

The choice, he added, offered "Conservatives who will continue to divide and weaken the country and a Labour government which will lead the consensus to build a confident and capable country".

Mr Kinnock made a thinly veiled bid for the votes of Liberal Democrats and other advocates of constitutional change by stressing Labour's readiness to debate the issue.

While keeping Labour's options open, he acknowledged a "widespread public interest" in constitutional questions, ranging from "intense to the mildly intrigued".

Yet the Tories demonstrated "extraordinary arrogance" by claiming that Britain had reached a constitutional high-tide mark and that "the system is incapable of improvement".

Laying out Labour's programme of reforms – a freedom of information act, devolution, a framework for individual rights and a commitment to examine new electoral systems – he said that the Tories wanted to concentrate authority and maintain government secrecy. "They are the party that puts the preservation of its own privileges and power far above the need to ensure that democracy gains extra vitality," he said.

By contrast Labour would demonstrate a willingness to listen, to reason and to serve all the people, he said.

Anticipating charges of being patronising or paternalist, Mr Kinnock added: "There is nothing of the 'nanny state' about it. There is everything of the democratic government about it."

The Labour leader was applauded by an audience of "achievers" in occupations ranging from architecture to the ambulance service. They included Sir Ian McKellen, Harold Pinter, Roger McGough, Alison Moyet, Vivienne Westwood, Mike Leigh and Bishop Trevor Huddleston.

TodayLabour will return to the economy by reiterating its strategy to stimulate recovery.

● Mr Norman Lamont yesterday called on Labour to tear up its election manifesto, as the Tories renewed their assault on apparent discrepancies between Labour's spending and revenue-raising pledges.

In a letter to Mr Kinnock the chancellor called on Labour to acknowledge that it promised to "increase expenditure massively without increasing taxation".

"Without the money to pay for your promises, your manifesto is not worth the paper it is written on," he said.

His remarks followed Mr Kinnock's interview on BBC Radio in which he suggested that many of the promises in the Labour manifesto should be regarded as "realistic aspirations" to be honoured when resources allowed.

Joe Rogaly, Page 15

Heseltine charm glosses over contradictions

THERE has been only one other Conservative in recent memory who has fought a general election campaign with such blinding self-belief. But then Mr Michael Heseltine always had much more in common with Mrs Margaret Thatcher than either cared to admit.

To spend a day with Mr Heseltine on the campaign trail is to return from Mr John Major's Conservative consensualism to the implacable certainties of the Thatcher years. It is also to watch a political maestro rewrite history.

Picture a market square in a small town at the centre of one of the Midlands marginals which will decide the outcome on April 9. Mr Heseltine sweeps along the nondescript high street with the energy of a politician half his 59 years – pumping hands, sprinkling the air with jibes against Mr Neil Kinnock and warning repeatedly that only Mr Major can pull Britain out of the worldwide slump.

A group of hecklers has gathered on the edge of the square to admonish the environment secretary for the poll tax, rising unemployment and the Conservatives' careless custodianship of the welfare state. They shout and jeer. It takes Mr Heseltine, as brilliant a public speaker on the street corner as he is before the Tory faithful, all of 10 seconds to seize his chance.

Here was what he has been warning about throughout the campaign: the "mindless mob" who would again rule if Mr Kinnock grabbed power. There would be riots on the streets – look what was happening in socialist France – the economy would be brought to its knees, the ladder of Tory opportunity would be kicked away.

The "mob", a scruffy but less than threatening huddle of youths, look bemused. They pause. By the time they have caught their breath, he is settled in the front of a white Jaguar heading to yet another market square in another marginal to inject the Heseltine "magic" into a flagging Conservative campaign.

If the Conservatives lose on Thursday nobody must be allowed to say that Mr Heseltine did not campaign for victory. He has fought this election as if he, rather than Mr Major, had inherited the party leadership after the toppling of Mrs Thatcher. He has fought it as if he had been no more than an innocent bystander in the fall of the leader who had won her party three successive general election victories. He has fought it as if he believes still that his own destiny lies in 10 Downing Street.

On television and at the Central Office press conferences designed to set the agenda for each day's campaigning, Mr Heseltine has been the most visible – and consistently optimistic – of Mr Major's senior ministers. As he has led the attack on Labour's tax policies, party strategists have taken to referring to him as the Conservative shadow chancellor. Nobody has poured so much unapologetic and colourful scorn on Mr Kinnock's fitness for office.

The Conservative campaign has stumbled from the outset because it has failed to build a firm enough bridge between its past and its future. Too many cabinet ministers, Mr Major among them, have agonised too openly over whether to defend the Conservative record or to promote a different future.

Mr Heseltine has no such dilemma. He promotes Mr Major's vision and defends Mrs Thatcher's past with equal vigour. The two are joined seamlessly by an uncompromising political rhetoric which refuses to admit the contradictions.

Back to one of those Midlands marginals. A local radio reporter has the temerity to ask whether the environment secretary has any regrets about the poll tax. He had, after all, always opposed it; and it had also laid the foundations for his challenge to Mrs Thatcher.

From his reply, Mr Heseltine might have been the architect not the demolisher of the tax. "I think people are appalled at the Labour surcharge on the poll tax. The surcharge is there because Labour members of parliament and Labour councillors have told people to break the law and refuse to pay."

A few hours later he is proclaiming the virtues of the council tax. For a moment you are persuaded that the poll tax must have been another dreadful mistake of the last Labour government rather than Mrs Thatcher's flagship. But by the time reality dawns, Mr Heseltine has long moved on to proclaim the triumphs of 13 Conservative years.

The economy is stronger than it has ever been – look how Germany has been hit by the world recession. Enterprise, choice and opportunity are flourishing. The health service has tens of thousands more doctors, dentists, nurses. The number of students at polytechnics has jumped tenfold.

As the environment secretary gets into his stride at an evening rally, party workers are whisked into a classless society where the "airline workers own the airlines, meter-readers own the electricity and gas industries, bus conductors own the bus companies".

A year ago Mr Heseltine was the traitor who stabbed the leader they adored. Now he is in the vanguard of the fight to preserve her legacy.

It is hard to believe that the voters are being won back by such flights from reality. The recession, NHS waiting lists and the poll tax cannot be shrugged aside so easily on the doorstep. But then the voters choose only the prime minister. If they opt for Mr Kinnock on Thursday, it may be that the Conservative party faithful will be looking for a new leader.

Philip Stephens

Tony Andrews

All shook up: the energetic and assured Michael Heseltine on constituency walkabout strides off determinedly in search of more hands to shake

Tory defeat may marginalise position of TUC

By David Goodhart, Labour Editor

THE Trades Union Congress could become increasingly irrelevant if Labour wins the election, with the biggest unions dealing directly with the government.

Some senior TUC and union officials warn of a Labour victory being "make or break" for the TUC in its present form.

They also expect renewed pressure on Mr Norman Willis, TUC general secretary, to retire early to make way for Mr John Monks, his deputy.

Mr Willis, having weathered eight years under the Tories, will not go willingly. He has also just completed the first year of a four-year term as European TUC president.

The TUC has the opportunity to restore some of its lost credibility in helping a Labour government steer through a potentially ambitious programme of industrial relations changes.

But as one TUC official said: "The TUC has adapted much less well than many of the bigger unions to the culture changes of the past decade".

Industrial relations reforms will not be the top priority for a Labour government and unions' expectations are not high.

But Labour party and union officials agree on what an ideal three-stage timetable might be. The first stage would consist of symbolic gestures with few immediate practical consequences. These would include signing the Maastricht "social chapter" and letting unions back into GCHQ, the government's secret communications centre. Immediate changes, not requiring primary legislation, could also be made to beef up employment protection.

The two main pieces of primary legislation would be a recognition act and an act of positive rights for employees which would be named after Mr Tony Blair, Labour's employment spokesman.

The recognition act would allow unions incremental representational rights, depending on how many employees voted for such rights, culminating in full collective bargaining rights if more than 50 per cent voted in favour.

Colours pinned to Sunday mastheads

By Ian Hargreaves

BRITAIN'S Sunday newspapers have voted. Five favour the Tories, three Labour and one, the Independent on Sunday, has declined to give a clear opinion.

From the Murdoch stable, the News of the World says that Mr Major is "the better bet for safeguarding our economy". Its stablemate, The Sunday Times, backed Mr Michael Heseltine for party leader and has roundly cursed the quality of Mr John Major's campaign. The editor, Mr Andrew Neil, returns to this in a signed article. But its editorial says Labour would probably bring economic crisis by Christmas and offers "wholehearted" endorsement for the Tories.

No doubts at the Sunday Express. Headed "Vote Tory with pride", its leader invites readers to consider "the video recorder and the car . . . the range of foods in the fridge . . . for the vast majority of our people life has never been better". The Sunday Telegraph, with senior writers divided between Thatcher loyalism and tactical retreat, says "it would not be a catastrophe if Labour won on Thursday", but warns of Labour's taste for Brussels bureaucracy, devolution and constitutional reform. It hopes that the Tories' "noble hopes" do not perish.

The Mail on Sunday has long admired Dr David Owen, who returns the compliment by setting out his advice in its pages. Along with Dr Owen, the paper likes the down-to-earth Mr Major – his mounting of the soapbox is considered "a seminal moment". The editorial proclaims: "give Major his chance to be great".

The Mirror group tabloids are Labour by profession. The Sunday Mirror focuses its arguments on improving the condition of women, but The People prefers a 1945 Daily Mirror slogan, declaring "vote for them!" – that is "all who have been disadvantaged by 13 years of appalling Tory rule". Labour, it says, is waging "a war against the money-grabbing, me-first mentality".

For The Observer, Labour brings the risk of public-sector pay inflation, less innovation in the public services and a tax plan which will not "help the country out of recession". But the Conservatives are to blame for "a coarsening of the texture of British life" and a "demoralisation and physical squalor" that no civilised society should tolerate. Labour, preferable on Europe and constitutional reform, is, it concludes, "worth taking a chance on".

That leaves only Mr Ian Jack, editor of the Independent on Sunday. In a signed leader, he says the Thatcher government grew "corrupt and arrogant" and the party so blind to the Scottish question that a Conservative victory will lead to secession. For these and other reasons, Mr Jack's cross "will not go next to the name of the Conservative candidate".

Quotes of the day

The election promises to be fun, fun, fun
Mike Love, of the Beach Boys, supporting the Natural Law party

Scotland needs the Labour party as much as Sicily needs the Mafia
Malcolm Rifkind

There are innumerable [Labour manifesto] pledges, I count 32 of them
Norman Lamont

If you are saying could I get the blame dumped on me [for forcing a second election], given the propaganda machines that both these other parties can generate, of course I could
Paddy Ashdown

"I think it stands for Nicholas Fairbairn"

The polls are still worth watching

The opinion polls during the last weekend of the campaign seem broadly to be pointing in the same direction: a narrow Labour lead over the Tories, but not sufficient for an overall majority, and therefore the probability of a hung parliament.

There are more polls to come, however, and the general lesson of the last few decades has been to poll often and to poll late if you want to get it right. Even then, there can be pitfalls.

In the general election of 1945, which required the sort of swing needed today to give Labour outright victory, there was a spectacular polling success.

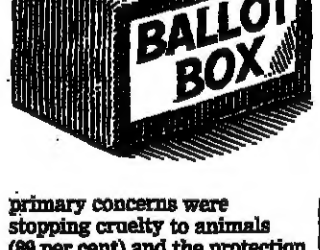
The Gallup poll predicted that Labour would win 47 per cent of the vote and the Tories 41. But since polls were a new phenomenon in those days and Gallup was the sole practitioner, hardly anyone took any notice. If they had, the Tories might have campaigned differently. The actual result was Labour winning 48 per cent and the Tories 40 per cent.

The next big milestone in British polling history was in 1970, when ORC achieved the dream result of being the only polling organisation to get the outcome almost right. It did so by re-interviewing some of its earlier respondents at the last minute and correcting the forecasts for differential turn-out.

In a survey of 257 respondents, ORC found that only one had switched from Tory to Labour while 14 had gone from Labour to Tory. It thus discovered the "late swing". Even then, it underestimated Ted Heath's Tory victory by two percentage points.

The ORC experience did not mean that all the polls were more accurate ever after. In the election of October 1974, all of them overstated the margin of Labour's victory, which in the end was an overall majority of only three.

One other point to note: in the seven general elections between 1964 and 1983, the party that was ahead in the final polls did less well on the night than had been predicted in the polls. In 1987, in spite of some blips in the polls, the Tories sailed home. So keep watching the findings until the end. There is still room for changes – and surprises.



Young Tories

The preference among children aged seven to 12 is plainly for John Major in No 10 Downing Street and, failing that, a return to Margaret Thatcher. A survey for Monster Munch on behalf of Smiths Crisps showed that nearly half of them supported Major, 17 per cent wanted Thatcher back and only 14 per cent in favour of Neil Kinnock.

The nationwide sample of 500 children found that their primary concerns were stopping cruelty to animals (89 per cent) and the protection of the environment (88 per cent). Asked what should be done to make parliament more fun, more than 75 per cent said that MPs "should behave like adults for a change". Monster Munch is a very large kind of crisp.

West Lothian

With the creation of a Scottish parliament the flagship of Labour's policy for Scotland, it is remarkable that the party has not devoted any of its election press conferences in Glasgow to saying in detail what it proposes.

We know from the manifesto that it would have power over internal affairs in Scotland and would be elected by an "additional member system" of proportional representation. But Labour has not said publicly how many MPs it wants, how the electoral system would work and what the Scottish administration would look like.

Privately it says that it would like between 120 and 140 MPs, the majority elected by the first-past-the-post system, topped up from party lists. There would be a Scottish chief minister with about 12 ministers (there are five Scottish Office ministers now).

But Donald Dewar, who hopes to be secretary of state for Scotland, sounds uneasy when asked what he would do if and when there is a Scottish chief minister as well. And Labour has convinced few but its own supporters that Scotland should continue to have 72 Scottish MPs at Westminster (its population merits 58).

Thus the real constitutional debate will begin when Labour, if it forms a government, publishes its Scottish parliament bill. English MPs of all parties will then want their say, just as they did the last time when devolution was debated at length in the late 1970s.

In a hung parliament, no doubt a handful of Plaid Cymru members would want their say as well, not to speak of the Ulster MPs and, above all, the SNP who will watch the Scottish legislation like hawks.

All of which makes for some late nights and much parliamentary bargaining to keep a minority government in office.

Choice of tea

Anyone who still doubts that Labour is moving up in the world should sample the hospitality at the party's Battersea constituency office. A recent request for a cup of tea was met with the response "Earl Grey or ordinary?" It might have been Esher.

Stock price index moves against victory for Major

By Peter Martin

THE FINAL full week of the election campaign showed the FT Election Share Index moving against a Conservative victory as stocks that might benefit if Mr John Major returns to Downing Street did much worse than those that might benefit from a Labour win.

The index, published daily during the campaign, consists of 10 stocks which might outperform in the event of a Labour victory and 10 which could benefit from a Conservative win.

Its performance last week reverted to that seen in the early days of the campaign, undoing the reversal of trend seen in the previous week.

The big loser of the week was BET, the businesses services group, down 11.6 per cent. It is suffering from worries specific to the company's performance as well as concern that a Labour-imposed minimum wage might raise the cost of employing BET's army of service workers.

Another big loser on the Tory side was S.G. Warburg, the merchant bank, which has been affected by concern that a Labour government might clamp down on merger activity, and hit the bank's corporate finance revenues. Its shares fell 6.9 per cent on the week, as did those of Prudential, the UK's largest life insurer.

FT ELECTION SHARE INDEX

Labour win/Tory defeat stocks (% change since March 11)	
1. BAT – profits mostly overseas	+4.3
2. ICI – ditto; kingpin of favoured manufacturing sector	−3.0
3. Blue Circle – infrastructure spending	−5.1
4. Taylor Woodrow – infrastructure spending	+1.8
5. BICC – infrastructure spending	−4.2
6. GEC – ditto, plus good at dealing with governments	−5.2
7. APV – capital goods, at core of manufacturing	−10.3
8. Rolls-Royce – ditto, plus better chances of subsidy	+1.3
9. Zetters – Tory lottery threat to pools	−3.3
10. Land Securities – gain from tight Lab planning policy	−11.1

Tory win/Labour defeat stocks	
1. Courtaulds Textiles – Lab poses minimum wage threat	−9.9
2. BET – min wage	−25.5
3. Hanson – Lab threatens curbs on UK takeovers	−4.3
4. S.G. Warburg – ditto, hitting corp finance revenues	−16.0
5. Thames Water – Lab renationalisation threat	−7.8
6. BT – Lab regulation, plus keen on fibre-optic network	−7.3
7. National Power – Lab regulation	−11.5
8. Prudential – Lab life insurance regulation	−11.3
9. Forte – min wage	−3.9
10. Whitbread – min wage, brewers' traditional Tory links	−12.3

Utilities such as National Power, British Telecom and Thames Water, which dropped heavily earlier in the campaign, appeared to have absorbed most of the bad news. Last week, their decline slowed as they dropped by between 2 per cent and 4 per cent.

On the Labour side, the week's big loser was Land Securities, the UK's largest property company, which fell 6.7 per cent. Though it is regarded as the strongest in its sector, the group suffered from the bad news affecting other property companies such as Olympia & York, Heron and Speyhawk.

The base for the index is closing prices on the day the election was announced, Wednesday March 11. Both sections are set to 100 at that date. The index is constructed on the same basis as the FT 30-share Ordinary index – making it highly sensitive to day-to-day movements and unsuitable for long-term performance measurement.

Unlike the FT-SE 100 and FT-Actuaries All-Share indices, constituents are not weighted by the relative size of the companies concerned.

ELECTION 1992

How the foot-soldiers are faring in the trenches

IF LABOUR pulls up short of the number of seats it needs on Thursday it may regret not earmarking more resources for north-west England, a region containing the highest concentration of marginals outside London.

In other critical regions – the Midlands and the capital itself – Mr Neil Kinnock's party appears to have outfought the Tories at grass-roots level, maximising its chances of making critical gains.

But in the seats around Liverpool and Manchester, it is the Conservatives who have had the edge. Although Labour – as elsewhere – has come out on top in the window-poster war, the Tories have assembled the slicker machine, the better local organisation and – after a slow start – the more copiously distributed leaflets and other promotional material.

The Tories have also performed well in the relatively low-key campaign being fought in the south-west, where their position as the party with the bulk of the seats meant that they entered the fray with well-equipped offices and full-time agents in the vast majority of constituencies.

In Scotland it is the Scottish National party which has most impressed, with the best efforts of its rivals confined to marginals. Although it has fewer public-relations professionals, the SNP has appeared to campaign more efficiently and enthusiastically than the other leading parties, perhaps because its resources are concentrated in one region and its tactics do not have to be co-ordinated with headquarters in London.

The Tories and Labour alike have proved slovenly in safe seats. Far fewer Conservative volunteers have come forward in Labour strongholds than in previous elections, sapping morale and reducing the party to mailing leaflets instead of knocking on doors.

Throughout the country, the Liberal Democrats have concentrated their limited firepower on seats which they have a real prospect of winning or face a fight to hold. In these, the party has supplemented its traditional strength on the ground with the application of computer technology.

It has few resources to lavish on constituencies where it is not in the frame. The rigour of its targeting is reflected in the party's organisation in the north-east, where there are few seats on its target list and Mrs Frances Foote Wood, an unpaid regional secretary turned campaign organiser, is putting in a gruelling succession of 20-hour days from her County Durham home.

The successful Labour campaigns in London and the Midlands have at least two important characteristics in common.

First, both were exceptionally quick off the mark. While the Conservatives set about organising their leaflets and posters after the starting pistol had been fired, Labour was one step ahead – its leaflets printed, its posters ready for display.

Second, both have exploited the computer and communications technology at their disposal to maximum effect. The El-Pak software package, developed by the boffins at Walworth Road, has helped constituency officers to get the most out of their growing battery of machines. Computers have proved particularly helpful in processing canvass returns and swiftly churning out supplementary leaflets and circulars.

Financial Times reporters assess who is winning the battle at grassroots level

Labour's London campaign has also been noteworthy for the unprecedented degree of central co-ordination. Operating from premises at the seedier end of Islington, the well-staffed regional office has concentrated resources single-mindedly on the 30 or so most marginal of the capital's 84 constituencies.

Under complex "twinning" arrangements, helpers from safe seats have been channelled into marginals where their efforts are most needed. The sense of common purpose appears to have been strong enough to prevent complaints from those left out in the cold as a result; team spirit has been fostered since last spring by summoning the agents of marginal constituencies to bi-weekly meetings and occasional residential weekends.

These tactics have received short shrift from Conservative Central Office, which argues that Labour has conceded defeat in London by admitting there are "vast swathes" of the capital that it cannot win. However, if Labour picks up the bulk of those seats it has targeted, it may force a rethink of Tory strategy – to plug away doggedly in all constituencies – for future contests.

In the Midlands, aspects of the Conservative campaign have appeared surprisingly inept, as if three terms of continuous power had bred complacency in the party's constituency offices.

For the most part, the battle is being fought much as it was in the previous three elections. Computers are not widely used and morale appears low. Party workers have been perturbed that daily themes put out by Central Office bear little relation to the concerns of voters as expressed to candidates on the ground.

In some Tory-held constituencies, the quality of campaign leaflets has been amateurish compared with the efforts of Labour and the Liberal Democrats.

Surprising too has been the scruffiness of some Conservative candidates on the hustings when set against the sharp image of their Labour opponents.

Contrast this with the position in the key marginals in the north-west of England, where the Tories seem more generously funded than their main rivals, and to be better off in terms of premises, computers, faxes and telephone lines.

Highly marginal Tory-held Wallasey provides perhaps the starkest contrast in the preparation of the two leading parties. Here, while the Conservatives devoted the weeks before the campaign to compiling invaluable computerised canvass returns, Labour was held back at the start by difficulties in selecting a candidate. In spite of this, recent polls have indicated that Labour is on course to secure the small swing needed to take the seat.

In the north-west, as elsewhere, the most effective teams from all the parties are aiming for a complete canvass of marginals. The very best then go for a secondary canvass, targeting undecideds and homes that were missed the first time.

The true significance of such details will become clear only on Thursday. On the evidence of the polls, few voters have been persuaded to alter their views during the campaign. But, given the closeness of the election, the effectiveness of local campaigning may prove decisive. Both Labour and the Conservatives may live to regret their shortcomings in some of the marginals.

West country set to keep singing the blues

"LABOUR's tax bombshell," screams the 48-sheet billboard outside Barnstaple station in north Devon. "You'd pay £1,250 more tax under Labour." And underneath: "Vote Conservative."

Nothing unusual about that, the posters are all over Britain. However, in the west country, they rankle not with Labour, but with supporters of the party whose London campaign headquarters put them up.

What on earth, local Tories ask privately, is the point of erecting anti-Labour posters in the west country when the battle the Conservatives are fighting in the region is almost wholly against the Liberal Democrats? A pro-Labour campaign would do more good: at least that might divide the opposition.

It is another niggling example of why the west country perpetually feels hard done by. The further west you go, the more powerful this feeling becomes until, finally, you reach Cornwall.

Here, the feeling is all-pervasive. The Cornish are different – and if they are not, they think they are. It is never quite clear why, and it is no good trying to ask them. "You have to be born and bred in Cornwall to understand our peculiarities," they reply.

Geography must have a lot to do with it. The county's position in the far west has left it isolated throughout history – a part of Britain's rural Celtic periphery, where associations with Liberalism are rooted in long traditions of independence and religious nonconformism.

Cornwall's remoteness means that if outsiders see the county at all, it is usually as tourists, carrying away images of picture-postcard villages, craggy coastlines and pasties. To the Cornish, the reality is different. Cornwall, once one of the world's largest tin and copper producers, has seen its mining industry dwindle to nothing. Tourism is now the county's biggest earner but that, too, has been stricken by a combination of recession and the weather.

The Cornish resent being included in regional assessments as part of a prosperous south-west. With some of Britain's lowest wage rates and unemployment at more than 13 per cent, they have more in common with Tyneside than Bristol or Cheltenham. The difference, they say, is that people know about Tyneside's problems and are doing something about them. Nobody cares about Cornwall.

There is some of the same sense in neighbouring Devon. Unemployment at 10 per cent is not as bad as in Cornwall, and wages are a little higher. However, hoteliers have been hit by the recession, the county's small-business economy has been squeezed and farmers whose incomes have slumped say the government's agricultural policies ignore them in favour of the big cereal producers of East Anglia and the south-east.

So is revolution in the air? New Statesman & Society magazine has suggested as much. On the stump in the south-west last month, it said that "even Torbay, with its retirement homes and golf courses, is being infected by a proto-nationalist resentment with central government".

That might be putting it a bit strongly. Even in Cornwall, the resentment has not led to any resurgence of the proto-nationalist movement.

Yet there is something in the air. In the Devon countryside, where in previous elections the Conservatives could have reassured themselves with forests of signs indicating support, they now appear to be lagging seriously behind potatoes and free-range eggs.

That might be an unreliable indicator of declining Tory fortunes but it is backed up by conversations with the voters. Go to a village such as Black Dog on the edge of Exmoor (a score of houses, a Methodist church, a village hall and a pub) and you will find a clutch of former Conservative voters on the brink of change.

Mr Desmond Reed, a jack of all trades in the local agricultural community, said: "I've always voted Conservative, but this time I really don't know. I do a lot of shearing for the farmers and they're all saying they'd be better off if the other lot got in – even the big men. We need that. If the farmers do well, everybody does well round here."

In Black Dog, in the marginal constituency of North Devon, the sitting MP is Conservative and the man threatening to take his seat is a Liberal Democrat. As in so much of the west country, Labour barely registers in the equation: it is strictly a two-horse race.

This is why the Liberal Democrats are pinning so many hopes on the this region. If they do well anywhere, it has to be here. Party strategists were yesterday talking about winning seven or eight additional seats in the region, if the Labour vote can be squeezed. The trouble is that the size of the Conservative majority in most of the south-west is so vast that no imaginable swing to the Liberal Democrats could eliminate it.

The Liberal Democrats' best chance is in the deep south-west, where the sense of alienation is the strongest.

Even here, it would be rash to write off the Conservatives. In Devon and Cornwall, an MP's allegiance to his or her region matters at least as much to the voters as the MP's party affiliation, and Conservatives expecting to retain their seats have taken care to establish their credentials as professional mavericks when it comes to defending their constituencies' interests.

Realistically the Liberal Democrats' victories are likely to be enumerated on the fingers of one hand. In Cornwall, where they already hold Truro, the only other seat they can be reasonably sure of winning is North Cornwall.

Conservative majorities in St Ives and Cornwall South East are simply too big to put the seats within reach and a rare pocket of Labour support has turned Falmouth and Camborne into an unpredictable three-way fight.

Next door in Devon, the Liberal Democrats ought to take remote North Devon, once the seat of Mr Jeremy Thorpe, the former Liberal leader. But all the rest of the rural constituencies are rock-solid Tory, with the possible exception of Torbay. Even here it is hard to see all those hoteliers and retired folk from London and the Midlands joining in a proto-nationalist rebellion.

As for the rest of the south-west, the rural constituencies right up to Bristol are heavily dominated by the Conservatives and will almost certainly stay that way, with the notable exception of Liberal Democrat leader Paddy Ashdown's Yeovil constituency in Somerset.

In the cities – Bristol, Plymouth and Exeter – Labour re-emerges as the party likely to gain most from the Conservatives' misfortunes.

In all, then, the Liberal Democrats may hope for a surge of support in the south-west, but it is unlikely to translate into more than three or four extra seats.

If the west country is on the brink of a revolution, it looks like being a small one: most of the region is set to remain unremittingly blue.

Richard Tomkins

Colin Beere

Sign of the times? Labour candidate David Jamieson outside his campaign office for the Plymouth Devonport seat

SNP vote may help Forsyth saga to continue

A VISITOR to Stirling can hardly fail to realise it is one of the most closely fought constituencies in Scotland.

Roundabouts on the town's outskirts are festooned with party posters while on the streets the lampposts are only missing a contribution from the Monster Raving Loony candidate. Even in far-flung areas of the largely rural constituency, the posters jostle for attention on the approaches to villages.

Mr Michael Forsyth holds the seat for the Conservatives with a majority of 548 over Labour. This time six parties are contesting the seat. The Labour candidate, Mrs Kate Phillips, says she is quietly confident. The Scottish National party, which came fourth in 1987, claims it has overtaken both Labour and the Liberal Democrats and is now capturing Conservative votes.

In spite of Conservative assertions that its vote is holding up, the campaign seems defensive. Windows on all sides of Tory HQ display SNP posters, and a banner saying "End the Forsyth saga" flutters from the house next door. Visitors are inspected through a spy hole before the door is unlocked.

Mr Forsyth's campaign literature does not mention that he is Scottish minister for health and education. Opponents say this is because reforms in the education and health services have been deeply unpopular in Scotland, and it is safer not to draw attention to his part in them.

Mrs Elizabeth Ellis, who runs a shop in the village of Aberfoyle, north-west of Stirling, has two school-age children. She will not be voting for Mr Forsyth. "School testing, opting out, I have been against it from the start," she said.

Mr Forsyth's agent says he is running a positive campaign based on his record as a constituency MP, with the slogan, "Working for you." Mrs Ellis is unimpressed. She said: "I don't think Michael Forsyth has actually done anything for this constituency."

Along the street, Mrs Margaret Quinn says that Mr Forsyth was unhelpful when she wrote to him about a housing problem. She is undecided, but said: "I won't be voting for him, anyway."

Mr Forsyth has acquired a controversial reputation. He was pushed out of the chairmanship of the Scottish Conservative party for his right-wing views. Several of his assistants were former members of the far-right Federation of Conservative Students. He is a member of the Thatcherite No Turning Back group.

The highlight of his campaign so far was a visit by Mrs Margaret Thatcher. She gave a rousing speech on the benefits of the union and the last 13 years of Conservative rule, which went down well with the local Tories in the hall but may have had a less favourable effect on the floating and tactical voters that Mr Forsyth desperately needs to attract.

The danger for Labour in Stirling is not a resurgence in Conservative support but the appeal of the SNP to former Labour voters. Over the country, SNP support has doubled since the last election. If Mr Forsyth slips in with another slim majority, it may well be thanks to the SNP.

Bethan Hutton

THE ISSUES: HOUSING

Roof falls in on the Tories' dream

HOUSING may not be an issue to rank with health or education in the last lap of the election campaign. But if Mr John Major ceases to be the occupant of 10 Downing Street on April 10, the workings of the housing market will have had a great deal to do with it.

At one end of the market many voters have discovered that the joys of ownership – still trumpeted in the Tory manifesto – confer no more than the right to a negative return on their investment and an obligation to pay the highest real rates of interest since the Depression.

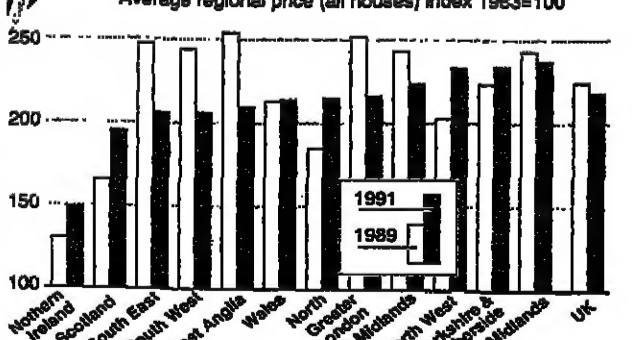
At the other, cardboard cities stand as a disconcerting reminder to the electorate of such hard-edged legacies of Thatcherism as the withdrawal of income support for youths aged 16 and 17.

Home ownership, which once made huge inroads for the Tories into the ranks of floating voters, has become a liability for them. It is wreaking havoc in just those areas where they are at their most vulnerable – the squeeze in owner-occupied housing is largely a southern affair.

In Scotland, and in the north and north-west of England, home owners have on average seen increases in the value of their property since 1989. The south-east and Greater London saw year-on-year falls in the final quarter of 1991 of 7.5 per cent and 7 per cent respectively, while the comparable figures for the south-west and East Anglia were 6.6 per cent and 4.7 per cent.

House prices

Average regional price (all houses) index 1983=100



Source: Halifax Building Society

More than two thirds of the housing stock is now owner-occupied and, says James Barty of Morgan Grenfell, about three quarters of the owner-occupiers are reckoned to have been Tory voters in the 1980s. Those in the north of England were less vulnerable, he adds, because houses were cheaper so northern home owners incurred less debt.

In the south it feels very different. Since the Tories came to power in 1979, mortgage debt has gone from about 30 per cent of personal disposable income to more than 70 per cent. That indebtedness is disproportionately weighted to the southern half of Britain.

Those who bought at the peak of the boom in 1988 were confronted soon afterwards by a 50 per cent rise in interest rates. While rates have since come down, they remain sky-high in real terms, thanks to the government's one great economic success story: disinflation. The more Britain's inflation falls, the higher the real rates of interest imposed through the exchange rate mechanism threaten to become.

The chief victims are the baby-boomers, the products of the high birth rates of the late 1950s and early 1960s. Britain's inflationary psychology meant that they were disposed to buy at a much younger age than their French or German counterparts. The Tories' rhetoric and their carrot-and-stick policies – financial deregulation followed by the withdrawal of tax reliefs in 1988 – helped stampede people aged 25 to 30 into premature financial commitments.

Today many of them have no equity in their home; some have seen the value of their house fall below that of the outstanding mortgage; others have had their homes repossessed. The government's attempts to stem the tide of repossessions and kick-start the market with temporary relief from stamp duty appear so far to have made little economic or political impact.

It would probably be wrong to assume that low-income home buyers have been uniformly hit. A recent survey by the Council of Mortgage Lenders found that former council tenants showed a better-than-average record on arrears and repossessions. They tend to be older; and as well as having a more significant equity in their home because of the sale discount, they did not have to spend heavily on setting up a new home. Yet there seems little doubt that the famous C2 voters are over-represented in the group of home owners who have suffered most from the squeeze and fear most for their jobs.

The negative wealth effect in housing and the related overhang of debt largely explains why the consumer has failed to spearhead a recovery. Shell-shocked borrowers helped propel the savings ratio from little over 4 per cent before the peak of the housing boom to more than 10 per cent last year. While the poll tax is on its way out, high mortgage rates leave many feeling overtaxed.

None of the main parties is proposing to offer relief for the housing market except through modest tinkering. But Labour will undoubtedly make things worse for the top segment of the market with its proposed income tax reforms.

There is a clear relationship between real income growth and house prices. Morgan Grenfell estimates that by squeezing top people's incomes Labour could reduce their house prices by 5-10 per cent, while simultaneously reducing their ability to service the related debt. This could well hamper the emergence of a consumer-led recovery in the south-east.

None of the main parties has more than piecemeal remedies for problems of the housing market, including the shortage of rented accommodation.

Labour commits itself not to legislate retrospectively in the private rented sector and to consult fully before making reforms. The Liberal Democrats, like Labour, have measures to address the specific problems of the homeless in finding rented accommodation. The Tories already have their £100m scheme for those sleeping rough in London, though there is no explicit commitment to continue with it.

But there are no specific targets. And in none of the manifestos do the issues appear to rank particularly high on the list of priorities. Yet Dominic Byrne of Shelter, which campaigns for the homeless, points out that the results of its Mori poll suggest that the public thinks of homelessness and housing as being at least as important as health and education.

From the top to the bottom of the market, people's expectations appear low. Not a happy omen for a visibly flagging Tory campaign.

John Plender

Labour steps up offensive over poll tax

By Alison Smith

LABOUR is stepping up its attack on the poll tax as it becomes convinced that the arrival of this year's bills is undermining the Tories' statements that they have abolished it.

Although local authority associations estimate that 19 out of 20 people will have received their bills by Thursday, the Tories say that they have not seen a marked rise in the profile of the tax as an issue. Reaction from Tory associations suggests, said one party strategist, that it was not an issue that changed people's vote but was reinforcing views of people who would vote Labour anyway.

Conservatives say that the surcharge – the extra amount shown on bills which is largely to compensate for previous non-payment of the tax – is the aspect most often raised but that it does not necessarily benefit Labour because of some Labour involvement in the non-payment campaign.

Labour is putting great efforts into making the poll tax count locally. Figures for its "fair rates" proposals in each area have been produced. All Labour candidates have been instructed to challenge their Tory opponents to apologise for the poll tax.

Mr John Major said on BBC TV's On the Record that everyone regretted mistakes. He added: "A mistake was made. When you admit a mistake you correct it."

Labour says that its private polling suggests that the issue is now fourth in importance behind health, the recession and education.

The latest phase of Labour's attack also focuses on the Liberal Democrats' plans for a local income tax, and says that if Liberal Democrats were serious in opposing the poll tax, they would support Labour's plans for a "simple and fair property tax".

There is anecdotal evidence that the poll tax, and its unpopular associations such as imprisonment for non-payment, are not yet as dead as the Tories would like. In reducing bills by up to £140 as from last year and passing the council tax legislation, the Conservatives have done as much as they can to take the tax off the agenda.

Their continuing vulnerability on the poll tax means the Conservatives have not been able to raise the spectre of Labour in local government nor capitalise on their own plans for re-organising local authorities. They have not held a single press conference on local government outside London.

ECONOMIC FORECASTS

Labour victory 'would boost' growth potential

By Peter Marsh, Economics Staff

A VICTORY for the opposition Labour Party in Thursday's general election would boost UK growth prospects over the next two years, cutting the jobless total by up to 70,000, according to two forecasts published today by politically independent research groups.

The forecasts – from the London Business School and the Ernst & Young Item Club – both say that the effect of higher interest rates which are likely in the events of a Labour win would be outweighed by more expansionary economic policies.

Though unemployment is likely to be lower by an average of up to 70,000 over the next two years under Labour rather than the Conservatives, inflation and the public sector borrowing requirement (PSBR) would probably be higher.

According to the LBS, the economy would expand by 1.5 per cent this year under Labour, compared with 1.2 per cent under the Conservatives. That would be followed by 2.8 per cent growth next year under Labour, or 2.5 per cent under the Tories.

Item, a panel of economists which bases its forecasts on the Treasury's computerised economic model, says Labour would preside over growth of 0.5 per cent and 1.9 per cent this year and next, compared with 0.4 per cent and 1.8 per cent for the Conservatives.

According to Item, a coalition government of Labour and the Liberal Democrats would lead to growth this year of 0.7 per cent, higher than for either a Labour or Tory administration ruling on its own. Most of the higher growth would be due to extra tax-financed public spending.

Under Labour, the LBS foresees unemployment this year and next averaging 2.64m, 70,000 less than the average figure under the Tories of 2.71m.

Item says the average under Labour would be 2.87m, 50,000 less than the figure for the Conservatives of 2.92m.

The forecasters base their calculations on an analysis of proposals outlined by Mr John Smith, Labour's chief finance spokesman, as against the effect of continued Tory policies.

Both research groups say that, in the event of a victory for the Labour party, investors would probably switch funds out of sterling, forcing a rise in base rates to keep the pound withing its band in the European exchange rate mechanism.

The effect of higher borrowing costs, however, would be outweighed by the more expansionary economic measures planned by Labour.

According to the LBS, under Labour the retail prices index would grow by 4.6 per cent this year and 3.7 per cent next, compared with 4.4 per cent and 3.6 per cent under the Conservatives. Item puts these numbers at 3.9 per cent and 3.3 per cent, and 3.7 per cent and 2.2 per cent.

The LBS says the average PSBR under Labour over the next two fiscal years would be £31.8bn, compared with £28.9bn for the Conservatives. According to Item, the growing deficit may force whichever government takes power to increase taxes.

Cash problems hit venture capital plans

By Charles Batchelor

AMBITIOUS plans for a national network of 11 regional venture capital funds have had to be scaled down because of difficulties in raising finance.

Midland Bank now hopes that two funds – one in Yorkshire and another elsewhere in the north of England – will be launched in May while a further two, also in the north, will follow in June or July.

Plans for the other seven have been delayed until there is a change in the fund-raising climate.

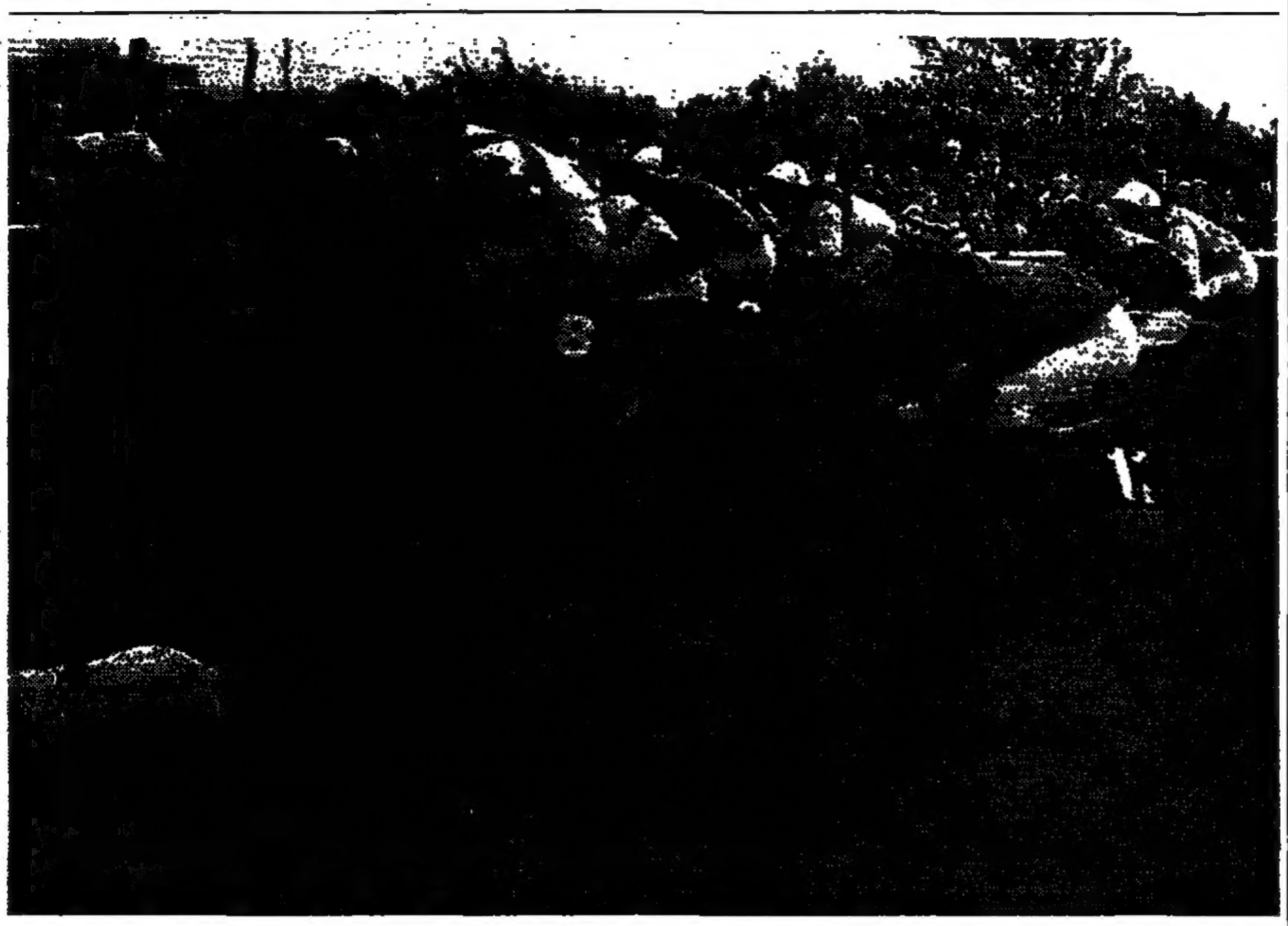
Midland, one of Britain's largest clearing banks, has been raising finance for the venture which was initiated by Business in the Community, the umbrella organisation for Britain's enterprise agencies, to promote economic regeneration in the regions.

Fund-raisers for the Midland Enterprise Funds ran into problems trying to raise finance in the south and east of England although money was more readily available in the north, said Mr David McMeekin, corporate finance director of Midland corporate banking.

The plan was for each regional fund to have between £3m and £6m to invest in amounts of £5,000 to £250,000. Local professional firms will provide advice to entrepreneurs for up to 60 per cent less than their normal rates.

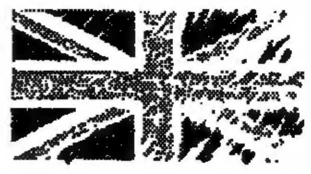
Midland blames its problems in the south-east to the lack of a well-defined regional identity and poll tax collection difficulties which have meant that many local authorities have not had the money available to back the venture.

The collapse of Bank of Credit & Commerce International and the plundering of pension funds in Mr Robert Maxwell's business empire have also made pension fund trustees wary of putting funds into a project involving venture capital, which some regard as a slightly unorthodox means of finance.



UK bookmakers claimed more than £80m was gambled at the weekend as British sports fans placed bets on the Grand National, the country's leading steeplechase event, the Oxford-Cambridge boat race and the semi-finals of soccer's FA cup. Takings were dominated by the horse race at Aintree, north west England, won by Party Politics, a 14-1 outsider wearing number 8 (pictured above). Race officials said the national was watched by a worldwide television audience of 350m.

Britain in brief



South African resort to stage Miss World

The Miss World beauty contest, in exile from its native Britain after being shunned by television producers, has found a new home at Sun City, the South African hotel and entertainment resort.

Mr Sol Kerzner, Sun City's founder and ex-husband of Anneline Kriel, a former Miss World, intends to use the internationally-televised contest to attract visitors to Lost City, a new £150m adjunct to Sun City.

Although Britain's terrestrial TV channels no longer regard Miss World as appropriate family viewing, Mr Kerzner, says he expects the competition to be broadcast to 600m people.

Cricket helps satellite sales

Interest in the World Cup cricket let to a surge in satellite dish sales in March, taking the total of satellite homes to just less than 2.4m – one in every nine households.

According to the FT Satellite Monitor the number of new installations rose from 78,000 in February to 94,000 in March, taking the total to 2.372m.

Mr John Clemens, chairman of Continental Research, the market research company which produces the monitor, said: "Sports, and maybe getting away from over-exposure to election broadcasts, made March another remarkable month for dish sales."

Oil output declines

UK oil production slipped to 1.9m barrels a day in March, a decline of 80,000 b/d from February, according to County NatWest in Edinburgh.

The drop in output was partly a result of shutdowns on the Flotta pipeline as the new Piper B oil platform was tied into the grid.

Low oil prices combined with weak world demand are causing many companies to focus on cost-cutting and rationalisation this year. That might see many North Sea operators cutting capital expenditure and scaling down exploration programmes.

Companies look at cost control

Cost control and cash management, allied to business planning, will be the most important elements in running a company over the next few months, according to the owners of private companies throughout the Midlands.

Those priorities have emerged from a survey of 200 private companies carried out by Coopers & Lybrand, accountants, in Birmingham. More than four in five of those companies have a turnover of up to £10m.

Law firms turn to litigation

Litigation overtook conveyancing as the chief source of revenue for provincial law firms last year for the first time, according to figures from the Centre for Interfirm Comparison. The shift reflects the depressed state of the housing market. The centre, which carries out an annual comparative performance project among 260 law firms nationally, found that, overall, law firms' revenues in England and Wales continued to grow.

Six pack keeps European accountancy in the can

Andrew Jack examines the dominance of the leading international auditors among top EC companies

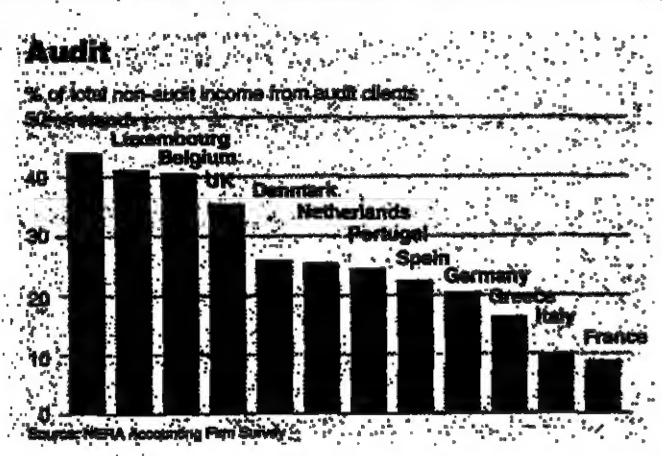
SIX leading international accountancy firms dominate audit work among Europe's top companies and enjoy almost complete control over the sector in three EC countries, according to a new study produced by the European Commission.

The report, conducted by National Economic Research Associates (Nera) for Brussels' competition directorate, says the international networks of the "Big Six" firms in Europe – largest by fee income and staff – audit almost 100 per cent of the top 200 businesses in Belgium, Italy and the Netherlands.

The firms – KPMG, Coopers & Lybrand, Ernst & Young, Arthur Andersen, Price Waterhouse, and Deloitte Ross Tohmatsu – also control more than 50 per cent of the auditing work in Germany and Portugal.

In one of the most comprehensive attempts to study the activities of the large accountancy firms, Nera says accountancy firms rely on audit clients to generate substantial fee income from other activities, although there appears to be a high degree of client satisfaction with the current position.

The report was commissioned in 1989 at a time of serious concern over the competitive consequences of the rapid growth of accountancy services, the merger of several large firms and the development of international networks.



The study, to be released next month, also identifies a "second tier" of medium-sized firms, including BDO, Grant Thornton International, Howarth & Howarth, CLG/Clark Whitehill, Robson Rhodes, Pannel Kerr Forster, Moors Stephens, Moores & Rowland, Neville Russell International and Spicer & Oppenheim.

Nera explains the dominance of the Big Six by saying that large companies need to draw on accountants with considerable resources, international contacts and a perceived higher level of quality. It says the perception of quality is most important in restricting the access of other firms.

During 1984-89, the study shows rapid fee income growth in all the firms. Audit and accounting fees have declined as a proportion of the total in every country, to be replaced principally by management consulting and tax advice, which are perceived by the firms as more profitable.

It shows the firms are significantly reliant on audit clients for other fee income from these other sources. Proportions ranged between 9 per cent in France and 44 per cent in Ireland (and Nera says the figures are likely to be under-estimates).

Overall, 35 per cent cent of businesses did not employ any accounting firms other than their auditor and more than half gave at least 80 per cent of accounting-related fees to the auditor.

The report suggests this is explained by cost savings contributed by the inside knowledge an auditor has built up of a company, and the reputation gained with a client from audit work.

It says restrictions to prevent auditors from conducting other work for the same client in France, Italy and Portugal are "not always matched by their effect" because "related and interlocking firms" have been created to circumvent the rules.

It found little evidence that these arrangements were anti-competitive or caused dissatisfaction among clients, but stressed they had implications for the independence of auditors.

In a separate section, the study concludes that there is little evidence of genuinely international firms rather than networks which share resources. National practices appear to be "insulated" from one another, as illustrated by wide variations in hourly staff charge-out rates.

In 1989, Big Six partner fees varied between ECU 120 in Greece and ECU 248 in the UK. For medium-sized firms, it ranged from ECU 73 in Belgium to ECU 184 in the UK.

For newly-qualified staff, hourly rates varied between ECU 30 in Portugal and ECU 89 in Denmark for Big 6 firms, and between ECU 32 in Spain and ECU 82 in Denmark for medium-sized firms.

The study argues that the main advantages of the international networks of firms are to permit referral of work, and to generate a powerful shared marketing image. Co-ordination between fellow firms in different countries also gives rise to common standards and techniques, and allows for staff secondments.

Few foreign firms are involved in audit, and likely to threaten other members of the same international network. Impeded by legal factors, professional restrictions and the existing conduct of international accounting networks.

"We would doubt that the competitive behaviour of accounting firms located in one member state is constrained by the existence of the competitive threat from those located in another," it says. "The barriers to intra-EC trade...are substantial."

The Nera study used questionnaires and interviews during most of 1990 to scrutinise the 12 largest accountancy firms and 101 of their clients drawn from the top European industrial companies, banks and insurance businesses.

"Competition in European Accounting" will be published in May, price £545, by Lafferty Publications, The Tower, IDA Centre, Pearse St, Dublin 2, Ireland.

The report for the European Commission says the 'Big Six' accountancy firms dominate the market because large companies need to draw on accountants with considerable resources, international contacts and a perceived higher level of quality. The report's authors found little evidence that auditing arrangements were anti-competitive or caused dissatisfaction among clients, but stressed they had implications for the independence of auditors in the EC.

Diesel share of car sales grows

By Kevin Done, Motor Industry Correspondent

AMID the gloom of the UK new-car market, diesel cars have emerged as one of the few growth segments in the prolonged recession.

Demand for diesel cars has continued to rise, in contrast to the steep fall in overall new-car sales. The share captured by diesel-engined cars has doubled in the past two years.

Figures from the Society of Motor Manufacturers and Traders show that the diesel share of the UK new-car market jumped to a record 11.2 per cent in the first two months this year from 8.8 per cent in the whole of last year and only 4.6 per cent in 1988.

According to leading car producers, demand has been boosted by the introduction of diesel cars that can match the performance of petrol-engined models.

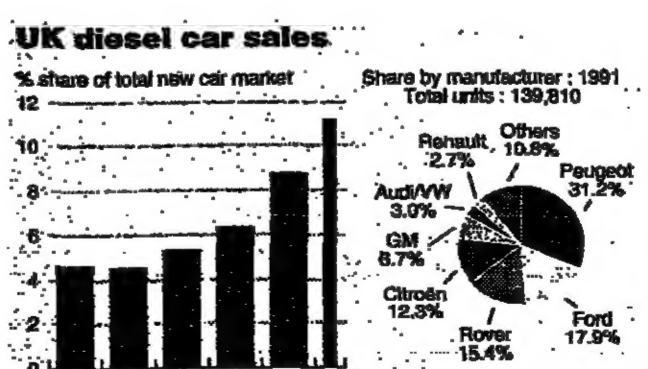
Significant progress has been achieved in both diesel-engine and fuel technology, and those advances have been added to the traditional attractions of diesel cars, such as fuel economy – diesel cars use about 20 per cent less fuel than petrol-engined cars – greater durability and reliability.

In the two years since 1989, sales of new diesel cars in the UK have risen by 13.3 per cent from 123,345 in 1989 to 139,810 last year. In the same period, overall new car sales have fallen by 30.8 per cent from a record 2.3m in 1989 to only 1.59m last year.

Peugeot, the French carmaker, has made the biggest gains, and the new-found popularity of diesel cars is having a significant effect on other carmakers in the UK market.

With its combined Peugeot and Citroën marques, the French carmaker accounted for 43.5 per cent of all diesel cars sold in the UK last year. It also supplies diesel engines to Rover, the BAe subsidiary.

The Peugeot brand alone boosted its share of the diesel new-car market to 31.2 per cent last year from 25.2 per cent in 1990 and accounted for three of the five best-selling diesel cars in the UK.



The big jump in UK diesel car sales is bringing the British market more into conformity with Continental markets.

The Continental market is dominated by France, where diesel cars accounted for 38.2 per cent of new-car sales last year. In Germany the diesel share was 12.1 per cent, in Spain 12.8 per cent in the Netherlands 10.9 per cent.

In Italy, unfavourable tax changes have pushed the diesel share of the new-car market to 5.4 per cent from a peak of 26.1 per cent seven years ago.

CONSTRUCTION CONTRACTS

New facility for Florida police force

FEDERAL CONSTRUCTION, a member of the construction division of Trafalgar House with its headquarters in Florida's St Petersburg, has been awarded a £10.8m contract (US$18.7m) in joint venture with MCO Construction of Miami to build a police administration facility in Florida.

Designed by Digby Bridges, Marsh and Associates for the city of West Palm Beach, the building will be three storeys high, offering 107,000 sq ft of accommodation and will include modern recreational facilities such as sauna, whirlpool and weight lifting.

The two blocks will have a connecting pedestrian tunnel and second floor bridge each tied into a high technology security access system.

A six-storey precast concrete car park with 589 spaces to designs by Ramp Engineering and incorporating an in-house shooting range will also form part of the contract.

Completion of the administration block will be in 18 months, while the car park will be finished in a year.

Overseas orders for Bovis Group

Hard on the heels of the Atlanta Olympics contract, BOVIS companies in the US have won three major contracts, one in Indianapolis, one in Chicago and the third in Tokyo.

In Indianapolis, Lehrer McGovern Bovis will manage the construction of a new maintenance operations centre for United Airlines. Occupying a 300 acre site at Indianapolis International Airport, the US$1bn (£588m) project includes building and fitting out hangers, airframe repair shops, engine repair shops, a central utilities plant, support facilities and site works.

The recently-acquired Schal Associates is to begin work soon in Chicago on the redevelopment of the city's 76 year-old Navy Pier. As general contractor on the 30-month project, Schal Associates will manage all aspects of construction involved in the creation of an "urban playground", with five parks, a Ferris wheel, ice skating rink, Festival Hall and family Pavilion Building.

In Tokyo, Schal Associates is the sole foreign member of a joint venture headed by Kajima to build the east wing of the Tokyo Telecom Center, a 21-storey 792,000 sq ft office building on the city's waterfront. The total project value is over US$450m (£265m).

Sydney's water supply

COSTAIN AUSTRALIA has been awarded a contract, worth £22.4m, by the Sydney Water Board, to construct a 7km long tunnel and associated works at the Prospect reservoir site in western Sydney.

The contract is part of a £264m programme of major works at Prospect designed to enhance drinking water quality by the replacement of the existing open canal system.

The contract comprises the excavation of two 11-metre diameter, 50-metre deep access shafts, and 7,000 metres of 3.9 metre diameter tunnel and the supply and installation of a steel liner.

The project, which will be undertaken by the company's contract mining division, will take 44 months to complete.

Malaysian highway project

RENDEL PALMER & TRITTON is working with MINCONSULT of Malaysia on the preliminary design of a 200km highway through remote tropical jungle to link three Malaysian hill resort towns.

Airborne laser terrain profiling from a helicoptor is being used by Nortech to produce a digital ground model.

Waldorf restoration

The front of the Waldorf Hotel at the Aldwych in London

JOHN LELLIOTT CONSTRUCTION GROUP has been awarded the £9m contract to refurbish the Waldorf Hotel in the Aldwych, London for Forte Hotels (UK).

Work involves the phased refurbishment of 300 bedrooms and bathrooms, corridors and public areas on eight floors. Also included is the total replacement of mechanical services and installation of air conditioning to bedrooms, replacement of lifts and windows, together with some structural repairs. Completion is scheduled for December.

Town planning studies

FRANK GRAHAM has been appointed engineering consultants for a number of new towns in the Home Counties by the Commission for the New Towns.

The firm will provide engineering services for the towns of Crawley, Bracknell, Hemel Hempstead, Hatfield, Welwyn Garden City, Stevenage and Harlow.

Industrial park for Bristol

Work is set to begin on the first phase of a £7.5m 200,000 sq ft industrial park in Bristol, close to the city's Parkway station.

The development work will be undertaken by JT DESIGN BUILD for CIN Properties, who recently purchased the site on behalf of British Coal Pension Funds.

Work will begin immediately on constructing the infrastructure. It is planned to build six speculative units and offer design build packages that will suit occupiers' precise requirements.

CIN acquired the site from Trencherwood Commercial. JP Sturge acted on behalf of CIN Properties and Chesterton acted for Trencherwood Commercial.

Leicester hospital

KYLE STEWART has won a contract to construct a cardiothoracic unit at Glenfield Hospital in Leicester on behalf of the Trent Regional Health Authority.

The building contract is worth £5m and will be completed in 73 weeks.

The cardiothoracic unit, which will specialise in heart and chest conditions, will contain operating theatres, intensive care units, X-ray suites, consulting rooms and administration offices along with wards for both adults and children.

CONFERENCES

FLIGHTS

HOTELS

CONFERENCES & EXHIBITIONS

APRIL 13
Venezuela - Business & Economic Prospects
A topical conference sponsored by Cityforum Ltd, Canning House, Banco Mercantil, Baring Securities, Midland Montagu, Petroleos de Venezuela, The Wall Street Journal Europe. Speakers include: Pedro Tinoco, Eduardo Fernandez, Pablo Reimpell, John Browne, William Rhodes and Geoffrey Bell. Contact: LINDSEY NEIL
Tel: 0225 466744 Fax: 0225-442903
LONDON

APRIL 13-14
1st International Direct Banking & Insurance
"The Ultimate in Customer Convenience" Learn from leading financial institutions providing DIRECT services to customers. Conference addresses...set-up...technology...marketing. Speakers include FIRSTDIRECT, NATWEST, BANCO DIRECTO, OKOBANK and more.
Contact: Yvonne French, Lafferty Conferences. Tel: +353 1 718022. Fax: +353 1 713594
LONDON

APRIL 14
DOING BUSINESS IN POLAND
An indepth view of one of the major opportunity areas in Eastern Europe. Sponsored by Coopers & Lybrand Europe. The conference addresses: Investment opportunities, legal and taxation issues, labour, acquisitions, accounting issues and case study.
Contact: FiBEX Tel: 071 489 9944, Fax: 071 236 6140
LONDON

APRIL 14
Profiting From Artificial Neural Networks
Decision-making in DIRECT MARKETING and FINANCIAL ANALYSIS can be improved using new data analysis techniques. This is a practical non-technical seminar designed for Directors and Managers. Contact: Malcolm Carter
Tel: 081-848-6436 Fax: 081-848 6565
NEAR HEATHROW

APRIL 14
Battle Tactics For Success
Selling to large organisations can be an uphill struggle. This Institute of Directors workshop style conference shows how smaller/medium size companies can effectively penetrate, develop and then defend major accounts.
Enquiries - Director Conferences
071 730 0022
LONDON

APRIL 14 & 15
Opening up the Post-Soviet Gas Industry
Meet Key Decision Makers from Russia, Kazakhstan and other Republics convened by the newly established Centre for Foreign Investment and Privatisation, Moscow and The Royal Institute of International Affairs. To be held at The Queen Elizabeth Conference Centre, London. Enquiries RIIA Conferences.
Tel: 071 957 5700 Fax: 071 957 5710
LONDON

APRIL 22-23
Introduction to Options Course - Parts 1 & 2
Day 1: Basic Terminology, Option Pricing, Trading & Hedging Strategies; Day 2. Volatility, Advanced Trading Strategies, Portfolio Management. Venue: Cambridge Science Park, CAMBRIDGE. £295 (1 day only), £545 (both days)
Contact: Gillian Beckett, Brady Financial Seminars. Tel: 0223 423250
CAMBRIDGE

APRIL 23 & 24
Competitive Intelligence
Objectives, Organisation, Sources, Techniques, Tools, Analysis. Seminar presented by Kirk Tyson, author of "Competitive Intelligence Manual & Guide". For executives and analysts with strategic planning, business development, and research responsibilities. Also in PARIS 20 & 21 April. Contact IIB SA Geneva, Switzerland. Tel: (41) 22 788 2751. Fax: (41) 22 788 2726
LONDON

APRIL 23 & 24
Competitive Intelligence
Strategies. Objectives. Organisation. Sources. Techniques. Tools. Analysis. Seminar presented by Kirk Tyson, author of "Competitive Intelligence Manual & Guide". For executives and analysts with planning, business development, and research responsibilities. Also in BERLIN 5 & 6 October. Contact IIB SA, Geneva, Switzerland. Tel: (41) 22 788 2751. Fax: (41) 22 788 2726
LONDON

APRIL 27
MANAGERS GUIDE TO SFA RULES
A concise and complete course covering Regulation and Compliance duties and responsibilities as required by the SFA for operations, administration and investment managers. Repeated in June. Parallel courses for Dealers and Sales executives. Contact Investment Education plc. Tel: 061-833 9656
Fax: 061-834 8050
LONDON

APRIL 27
SALES AND ACCOUNT EXECUTIVES GUIDE TO SFA RULERS
A concise and complete course covering Regulation and Compliance duties and responsibilities as required by the SFA for Account and Sales executives. Repeated in May. Parallel courses for Dealers and Managers. Contact Investment Education plc. Tel: 061-833 9656 Fax: 061-834 8050
LONDON

APRIL 27 & 28
Swiss Banking & Financial Markets In The '90's
Challenges to Swiss bank management. Supervision & Regulation. Reputation & transition. Current & proposed tax regulations. Challenges in Swiss capital markets. Swiss stock exchange: efficiency in securities? EC financial markets: 2010 – dream or nightmare?
Contact: Sue Lovell-Greene on 071- 637 4383
LONDON

APRIL 28
Institute of Directors Annual Convention
Don't miss the biggest business event of the year. Speakers: The Prime Minister, Barbara Mills QC, The Rt. Hon Robin Leigh-Pemberton, Sir Allen Sheppard, Dr Carl Hahn and Peter Morgan. Theme: Power, Performance and Ethics. Enquiries: - Director Conferences 071-730 0022
LONDON

APRIL 28-29
Logistics of the Supply Chain
This seminar describes the latest developments in planning, management and IT support, taking into account coming changes in Europe. It shows how to exploit these to achieve a competitive edge.
Contact Unicom:
Tel: 0895-256 484
Fax: 0895-813 095
LONDON

APRIL 28-29
Applied GIS: Marketing, Distribution and Retailing
Practical applications of Geographic Information Systems - described as "perhaps one of the most powerful marketing tools developed recently" - are presented at this seminar in the context of marketing, distribution and location strategies. Contact Unicom: Tel 0895 256 484;
Fax: 0895 813 095.
LONDON

APRIL 29
Practical Implications of the Single Currency
Cityforum, Wall Street Journal Europe EMU Round Table at Insurance Hall in the City. Speakers include Ian Saville, Thierry Vissol, Robert Tyley and Christopher Johnson. Co-sponsored by AMUE, Eurocard/Eurocheque, Paribas and Clifford Chance.
Enquiries to: Lindsey Neil.
Tel: 0225-466744. Fax: 0225-442903
LONDON

APRIL 30
Business Opportunities in the Greater China Market
How to secure business in the rapidly integrating markets of China, Hong Kong and Taiwan. Distinguished panel of 12 Greater China market specialists. Jointly organised by CBI and China-Britain Trade Group with British Airways sponsorship. Call Anthea Heffernan 071-828 5176
LONDON

MAY 10-14
Bringing New Products to Market
A course to benefit executives involved in the management and decision makign for developing and launching new products. Market. Contact: Pamela Manser, Imperial College. Tel: 071 225 8667
Fax: 071 225 8668
LONDON

MAY 11
Payments Systems For Europe
Cityforum, Wall Street Journal Europe, EMU Round Table at Skinners' Hall in the City. Including Sir John Quinton, Geoffrey Fitchew, Richard Allen, N Lyle and Dr Ben van Eldik. Co-sponsored by AMUE, Eurocard/Eurocheque.
Enquiries to: Lindsey Neil
Tel: 0225-466744
Fax: 0225-442903
LONDON

MAY 11
The Politics And Economics Of Monetary Union
Cityforum, Wall Street Journal Europe, EMU Round Table. Including Stanislas Yassukovich, Tim Congdon, George Hatjoullis, Charles Goodhart, Ian Plenderleith, Gerd Hausler and Philippe Moutot. Co-sponsored by Eurocard/Eurocheque and Morgan Stanley.
Enquiries to: Lindsey Neil
Tel: 0225 466744 Fax: 0225 442903
LONDON

MAY 11-12
Company Sales, Divestitures and Auctions
Increasing pressure for improved performance, means the sale of businesses, divisions or assets has become a regular feature of corporate life. This course covers the strategic, preparatory, regulatory, and negotiating aspects essential for successfully completing the deal. Contact: ACQUISITIONS MONTHLY
Tel: 071 823 8740
LONDON

MAY 12 & 13
International Securities Markets: Limiting Market Risk
Focusing on the multi-lateral attempts to limit market risk, market regulation, how markets are developing and the management issues of assessing and controlling risk.
Enquiries: Financial Times
Tel: 071-925 2323
Fax: 071-925 2125
LONDON

MAY 13
Work at VDUs
A vital, one-day seminar for senior management on the implications of recent litigation (RSI) and forthcoming legislation (VDU Directive). Presented by Colin Mackay - HSE, Brian Pearce - Consultant Ergonomist, Tom Stewart - Chairman ISO TC159 SC4
Bell Howe Conferences Tel: 0602 436 323
Fax: 0602 436 440
BIRMINGHAM

MAY 15
Tax Efficient Joint Venture Techniques
For UK companies - onshore and offshore. A detailed guide through the tax minefields of joint ventures. Enquiries to Vicki Goffin IBC Legal Studies and Services Limited.
TEL: 071-637 4383, FAX: 071-631 3214
LONDON

MAY 19
Property Performance Measurement & Market Trends
For Fund Managers and Property Investors. The Conference will describe recent trends in the commercial property market and the performance measurement services of Investment Property Databank. Location: Institute of Directors, Pall Mall, London.
Contact: Maureen Sloger at I.P.D. on 071-482 8149
LONDON

MAY 19-20
INTERNATIONAL SECURITISATION
LEARN: Market developments & interdependence of investors & issuers. Legal implications. Credit & prepayment risks. Investment and performance measurement. NEW accounting proposals PLUS tax issues. Securitisation in France, UK & Japan.
Contact: Christine Moore on 071-637 4383
LONDON

MAY 20-21
LOGISTICS & THE ENVIRONMENT
Speakers from major companies throughout the supply chain. Key issues in warehousing and distribution with examples of best practice: packaging legislation + implications for retailers/distributors; green partnership sourcing; environmental management systems; IT systems; civil liability insurance. Programmes - contact: Hilary Keeble, NMHC Ltd. Tel: 0234-750323
Fax: 0234-750875
CRANFIELD

MAY 20-21
1992 European Information Management Conference
This sixth annual conference will examine how growing global competition forces companies to enhance their performance and places new demands on their information management. Twenty speakers from large European firms. Contact: Jane Campbell.
Tel: 32-2-640.62.40. Fax: 32-2-640.67.35
LONDON

MAY 26
Development - What Works in These Difficult Times
Hear and discuss recent case histories: the Coca-Cola Schweppes venture, Red Rock Cider, Miller dairy products, Courage developments, Nutrasweet, Disney and Food, Abbey National, Filofax revival, Seagram Europe. Contact Catherine Berger, KAE Development. Tel: 071 823 6023 Fax: 071 259 9906.
LONDON

MAY 26-27
How to Develop a Marketing Plan
Whether you know almost everything or virtually nothing about marketing this seminar will present new ideas supported by 'real world' case studies. Speaker: William Lasher.
Contact: Louise Knight, Frost & Sullivan Ltd. Tel: 071 730 3438. Fax: 071 730 3343.
LONDON

MAY 27-28
Time Series Analysis and Forecasting
A course to be held at the London School of Economics, introducing the basic ideas of time series model building using a personal computer.
Contact: Short Courses Office
Tel: 071-955 7227
Fax: 071-955 7676
LONDON

MAY 29
Improving IT Effectiveness
This one day conference examines the key issues in raising the performance of the IT function, exploring the strengths and weaknesses of conventional productivity and efficiency approaches, and presenting alternatives.
Contact: Business Intelligence
Tel: 081-544 1830
Fax: 081-544 9020
LONDON

JUNE 1-2
5th International Delivery Systems Conference
"ATMs" + EFTOPS = Networking the World. Learn from international speakers about eftpos initiatives worldwide- Major trends...Winners in the battle between banks and retailers for eftpos territory...the future of eftpos. Contact: Yvonne French, Lafferty Conferences, Tel: +353 1 718022, Fax: +353 1 713594
LONDON

JUNE 4 & 5
HOW TO BUY AND SELL UNQUOTED COMPANIES
Are you tired of employing others to help you buy and sell? This unique "DIY" course addresses the practical realities of buying and selling a company and how to minimise the risks involved. Contact: Acquisitions Monthly Tel: 071 823 8740 Fax: 071 581 4331
LONDON

JUNE 8-9
Business Intelligence
How new approaches to information gathering and analysis can help you to thwart competitive thrusts and develop winning strategies. Speaker: Ian Gordon. Contact: louise Knight, Frost & Sullivan Ltd. Tel: 071 730 3438 Fax: 071 730 3343
LONDON

JUNE 11-12
Negotiating with the Germans
This seminar will assist delegates in taking full advantages of the business opportunities opening up in the new Germany. Speaker: Louise Knight. Contact: Louise Knight, Frost & Sullivan Ltd. Tel: 071 730 3438. Fax: 071 730 3343.
LONDON

JUNE 11-12
Joint Venturing Strategies
A practical seminar which helps attendees to use cooperative strategies more effectively. Speaker: Robert Donnelly. Contact: Louise Knight, Frost & Sullivan Ltd. Tel: 071 730 3438. Fax: 071 730 3343.
LONDON

JUNE 15
Strategies for Sustaining Business Recovery
9 Top experts on actionable strategies: Recipe for Recovery, Acquisition vs Divestment, Shareholders vs Management, P&L vs Cashflow, People issues, Present vs Future.
Sponsored by Management Today
Century Communications 071-244 8884
LONDON

JUNE 16
Major Seminar on new VDU Legislation.
Health & Safety of Computer Users: "Practical Steps Towards Compliance". How will it affect your organisation? What are the penalties of non-compliance? What are the benefits? Contact CEL.
Tel: 071-624 4697
LONDON

JUNE 17 & 18
Upper Limb Disorder among Keyboard Users
What is "RSI"? Why are we apparently experiencing an epidemic among keyboard users? Invited contributions from some of the UK's foremost authorities on the ergonomic, medical and legal aspects
Bell Howe Conferences
Tel: 0602 436323 Fax: 0602 436440
LONDON

JUNE 22 & 23
The Allocation of the Radio Spectrum
The conference will provide a broad international perspective of developments; consider the allocation of the radio spectrum; what services should be run on it; competing or monopoly; and how transnational services can be co-ordinated.
Enquiries: Financial Times.
Tel: 071-925 2323 Fax: 071-925 2125
LONDON

JUNE 22-23
Offshore Oil and Gas Construction and Supply Contracts
8th Annual Conference will deal with Tendering, Design, Contracts and Insurance. Keynote Address by Bill Alison, CBE, Chief Executive, Offshore Manufacturers' and Constructors' Association. IBC Legal Studies and Services Limited Tel: 071-637 4383
Fax: 071-631 3214
LONDON

JUNE 22 & 24
Financial Markets Analysis & Investment Strategy
A course for investment, fund and portfolio managers, and market analysts. A new approach for analysing and formulating strategies based on an 'integrated' systems. Combines expertise from the UK, US, Bank of England and The Fed. Contact: Pamela Manser, Imperial College Tel: 071 225 8667
Fax: 071 225 8668
LONDON

JUNE 24-25
Executive Information Systems '92 Annual Conference and Exhibition
Major independent event for EIS sponsors, developers and managers with 16 outstanding US and European speakers, many live system demonstrations and a comprehensive EIS supplier exhibition.
For full colour brochure ring Business Intelligence: 081-544 1830
Fax: 081-544 9020
LONDON

JULY 6 & 7
Managing Financial Risks
This workshop is an intensive, practical course aimed at those who wish to understand the principles and practices of financial risk management.
Enquiries: Financial Times
Tel: 071-925 2323
Fax: 071-925 2125
LONDON

JULY 6 & 7
Telecommunications & the European Business Market
The liberalisation of the European telecommunications market, the new alliances that are being formed to meet the global communications needs of business customers. Enquiries: Financial Times
Tel: 071-925 2323.
Fax: 071-925 2125
LONDON

INTERNATIONAL

APRIL 23-24
1st Central European Financial Services Conference
"From Liberalisation to Privatisation - to Capital Markets". Focusing on the challenges and opportunities created by the "opening up" of Central Europe and the progress of the privatisation process in Czechoslovakia, Hungary and Poland. Contact Yvonne French, Lafferty Conference, Tel: +353 1 718022, Fax: +353 1 713594
PRAGUE

APRIL 26-28
EUROPEAN FUTURES MONEY MANAGEMENT
Managed Account Reports presents Europe's premier meeting for the managed futures industry and its customers. Organised in association with MFS and EMFA. Full brochure by fax - contact M.A.R. (London) Tel: (081) 330 4311 Fax: (081) 337 8943
PARIS

APRIL 27-28
Outlook for Aircraft Values -
This AVMARK conference will explore the factors determining new and second-hand aircraft values; quantifying supply/demand balance; analysing manufacturers' strategies; reviewing new models; fleet planning; update on noise/emissions; possibilities for hushkitting, re-engining, freighter conversions. Contact Emma McCrow, AVMARK
Tel: 071 821 6788
Fax: 071-834 4372
FRANKFURT

APRIL 28-30
NetWorld 92 Europe
NetWorld expands on its success in the U.S. by taking the industry's premier network computing event into Europe. The show will feature 110 of the world's top networking companies and an extensive conference program. Contact Peter Brunold Tel 49-211-901 910 or 49-211-9019170 (fax)
FRANKFURT

APRIL 29 & 30
MOBILE COMMUNICATION IN SPAIN AND EUROPE
International conference organised by Instituto de Fomento [illegible]
Fax: 140 [illegible] 29613
MADRID

MAY 4-6
National Association of Purchasing Management
77th annual International Purchasing Conference & Exhibition
A comprehensive program of over 50 workshops & speakers addressing the latest trends, developments & technology in the purchasing & materials management profession. This year's conference focuses on the world marketplace. Contact: NAPM in Tempe, Arizona, USA, 602-752-6276 ext. 401.
Fax: 602-752-7890
ORLANDO, FLORIDA

MAY 4-6
Financial Risk Management for Non-Banks
Intensive seminar (in German) covering risk analysis, strategy and guideline formulation, followed by 30 hours of PC-based training for the application of options as interest rate and FX management tools.
Enquiries to Schwabe, Ley & Greiner in Vienna. Tel: (43) (1) 713 95 70 - 0
Fax: (43) (1) 713 95 70 - 15
FRANKFURT

MAY 7-8
FINANCE SYMPOSIUM
Risk Management - Liquidity, Interest Rates, Currencies.
Leading financial institutions (ABN, Dresdner, Citi, LIFFE, SBC, Sumitomo, WestLB a.o.) will host workshops (mostly in German) to present their latest risk management concepts and tools. Enquiries to Schwabe, Ley & Greiner in Vienna.
Tel: (43) (1) 713 95 70 - 0
Fax: (43) (1) 713 95 70 - 15
FRANKFURT

MAY 13 & 14
Doing Business in an Integrated Europe - The Impact of EC Law and Policy
This conference will discuss the broader issues arising from integration and examine their implications for the business community. Enquiries: Financial Times
Tel: 071-925 2323. Fax: 071-925 2125
BRUSSELS

MAY 18-20
PATINNOVA '92
The Second European Congress on Patents and Innovation, Sponsored by the Commission of the European Communities the congress is designed to broaden understanding of the key issues currently facing both users and providers of industrial property protection systems. The Event Organisation Company.
Tel: +44 (0) 71 228 8034
Fax: +44 (0) 71 924 1790
LISBON

MAY 20-22
Europe Without Frontiers
Managing your Expatriates. Explores the tax, social security, work permit and general remuneration issues involved in managing an expatriate and local national workforce in the new international economic landscape post - 1992. For human resource professionals from both seasoned and emerging multinationals. Contact Stephen Grant, Ernst & Young
Tel: 071-931 2980 Fax: 071 583 5446
PARIS

JUNE 1-7
INEXCA '92
The first International Trade Fair in Achkhabad capital of Turkmenistan, C.I.S. Participation is sought from Manufacturers and Distributors of Energy, Transport, Health, Agriculture, Engineering, Telecommunications, Public Works, & Consumer Goods. Establish contacts with governments and members of powerful trading networks of Central Asia. Enquiries: Alpax, Paris.
Tel: 1 40 10 07 14 Fax: 1 40 11 06 55
ACHKHABAD

JUNE 3-5
Venture Symposium 92
The Second European Congress on Patents and Innovation, Sponsored by the Commission of the European Communities the congress is designed to broaden understanding of the key issues currently facing both users and providers of industrial property protection systems. The Event Organisation Company.
Tel: +44(0) 71 228 8034
Fax: +44(0) 71 924 1790
LISBON

JUNE 15-16
3rd INTERNATIONAL SECURITIES LENDING
WHO are the participants
WHY lend & borrow securities
HOW to do so in NINE COUNTRIES
* Regulators - Bank of England, Bank of Italy, Public Securities Assoc. (USA), Société de Bourses Français
* Case Studies - UBS, Prudential (USA), Malco NV (Neth.'s) Call Christine Moore (BRI): 071-637 4383
MILAN

JUNE 18 & 19
Global Tax Planning and Treasury Strategies
Using international finance centres and tax havens. The 7th annual conference includes the examination of European investment into Mexico and major South American countries. Enquiries to Vicki Goffin, IBC Legal Studies and Services Limited. Tel: 071-637 4383.
Fax: 071 631 3214
LAKE COMO, ITALY

JUNE 24-26
European Optical Communications and Networks
Provides a unique forum in Europe for discussion of practical aspects and recent advances. Programme with 155 papers. Please contact: EFOC/LAN'92 Secretariat, CH-4005 Basel. Tel. ++41 61 691 51 11
Fax: ++41 61 691 81 89
PARIS

EXHIBITIONS

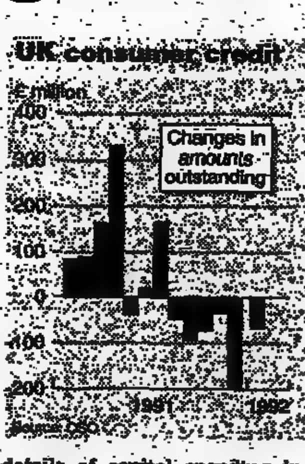
MAY 11-14
IFPEX 92 - The International Fluid Power Exhibition
The only UK-based international exhibition for users of hydraulic and pneumatic equipment, sponsored by the British Fluid Power Association. Almost 200 exhibitors are demonstrating every aspect of fluid power. Ring 0895 679111 for Complimentary Tickets, or 0895 677677 for information.
BIRMINGHAM

MAY 6-15
Machine Tools and Manufacturing Technology '92
See almost 500 of the world's leading manufacturing technology specialists under one roof at the biggest UK exhibition, National Exhibition Centre, Birmingham. Call ticket hotline on 071 723 8891. Organised by the Machine Tool Technologies Association, 62 Bayswater Road, London W2 3PS. Tel: 071-402 6671. Fax: 071-724 7250
BIRMINGHAM

THE WEEK AHEAD

ECONOMICS

All eyes in UK financial markets fixed on general election outcome



FINANCIAL markets in the UK are likely to remain nervous ahead of Thursday's general election, with concern particularly over the possibility of investors shifting large sums out of sterling.

There is also data published this week which will provide fresh clues on the extent of the slowdown in Germany and the faltering recovery in the US.

In the UK, credit business data due out today will shed light on whether consumers are starting to feel happier about borrowing, a development which economists believe is necessary to kick off recovery from the 18-month recession.

The figures are expected, however, to provide little encouragement to those looking for a strong economic revival after the election. The City is expecting the figures to show a net repayment of some £50m of credit in February, following a run of similarly-weak numbers stretching back to the autumn.

Among the highlights of the week for statistical buffs are manufacturing output figures for Germany, and the latest details of capital spending in the US.

There will be interest, too, on the progress of German wage talks. These could have an impact on German inflation, which in recent months has risen sharply.

The following is a list of the main items of data being published during the week, and other notable events. The numbers in brackets are forecasts provided by MMS, the financial information company.

Today: US, 4th quarter financial report on business outlook for retailers and manufacturers; UK, February credit business (repayment of £50m); Switzerland, March unemployment rate (2.4 per cent), Germany, engineering wage talks in North-Rhine Westphalia.

Tomorrow: Luxembourg, European Community economic and finance ministers meet; US, February wholesale trade and consumer credit (up $0.5bn); Sweden, February unemployment rate (10.9 per cent); Canada, January rise in wages and salaries.

Wednesday: Switzerland, March consumer prices index (up 0.3 per cent on month, 4.9 per cent on year); Canada, March housing starts, vacancy data and car sales.

Thursday: UK, general election; Germany, construction worker wage talks; US, March producer prices index (up 0.2 per cent on month), 4th quarter capital spending, unemployment claims for week ending March 28 (450,000), money supply data for week ending March 30 (M1 down $3.4bn, M2 down $6.5bn, M3 down $9.2bn).

Sweden, March consumer prices index (up 0.3 per cent on month, 2.4 per cent on year); Australia, March employment decline (10,000) and unemployment rate (10.7 per cent); Canada, February vehicle sales.

Friday: US, March consumer prices index (up 0.3 per cent on month), February housing completions, March real earnings; UK, March retail prices index (up 0.1 per cent on month, 3.8 per cent on year; excluding mortgage interest payments, up 5.5 per cent on year).

Netherlands, February consumer prices index (up 0.3 per cent on month, 4.1 per cent on year); Norway, March consumer prices index (up 2.3 per cent on year); Australia, February retail sales (fall of 1 per cent on month); Canada, March employment growth and unemployment rate (10.6 per cent), February department store sales.

During the week: Germany, February industrial production, manufacturing output, orders, retail sales (up 0.4 per cent on year); France, February monetary data; Denmark, February unemployment (10.9 per cent), current account.

Peter Marsh,
Economics staff

RESULTS DUE

Results are beginning to come through from retail groups, whose financial years generally end later than other companies to take in the January sales. Today see figures from Laura Ashley and tomorrow from Next, fashion groups which have both been through difficult times.

Laura Ashley should report a small profit of perhaps £2m, compared to a £6.7m pre-tax loss. But this will be wiped out by exceptional items as Mr Jim Maxmin, the new chief executive, gets to grips with the business, taking the loss to high single figures.

Next, which reported a £223m net loss last year, is expected to make £10m pre-tax, though reports of strong trading in the shops suggest there could be a pleasant surprise. A final dividend is likely.

Tomorrow also see figures from Tesco, the supermarket group, for its year to end February. Forecasts are for around £540m before taking account of profits on property sales, compared to £417.1m, showing that the food retailers are still beating the recession. Tesco will have had the benefit of last year's £572m rights issue for a full year.

"Minus something large" was an analyst's reaction to a question about Costain's 1991 results. More prosaically, estimates of pre-tax losses to be announced by the construction and mining group on Wednesday revolve around £30m, compared with a £5.5m profit.

While Costain might have made about £10m after paying interest, the losses follow writedowns in the value of housing land and a £12m provision for the Channel Tunnel contract. A below the line charge is also expected after the sale of the investment property portfolio.

Hope of a final dividend died some time ago. While gearing will have been helped by a rights issue and the property sale, some anxiety remains about debt levels.

Land write-downs also apply to AMEC, the construction and engineering group, which is expected to report pre-tax profits reduced from £63m to little more than £20m on Thursday.

Another to benefit from a rights issue last year, the remaining cash-in-hand should enable it to maintain an uncovered dividend. It might even gain some praise for its tight control of cash on the contracting side.

Waterford Wedgwood, the crystal and ceramics group, is expected to post a full-year pre-tax loss of I£2m tomorrow. Brokers anticipate an I£3m tax charge on profits in the Wedgwood ceramics division, making a post-tax loss of I£5m and earnings per share of around 0.6p.

The group's much-awaited recovery to profitability is being held back by the continuing recession in the US and UK and slack demand for its up-market products, and the outlook for 1992 is not encouraging. The future of the loss-making Waterford crystal arm hinges on the outcome of a consultancy report due by mid-year.

Queens Moat Houses, the hotel group, is expected to report full-year pre-tax profits on Wednesday of £92m, only slightly down on last year's £94m. The performance of its UK hotels will be watched with interest, as will any sign of a slow-down in Germany.

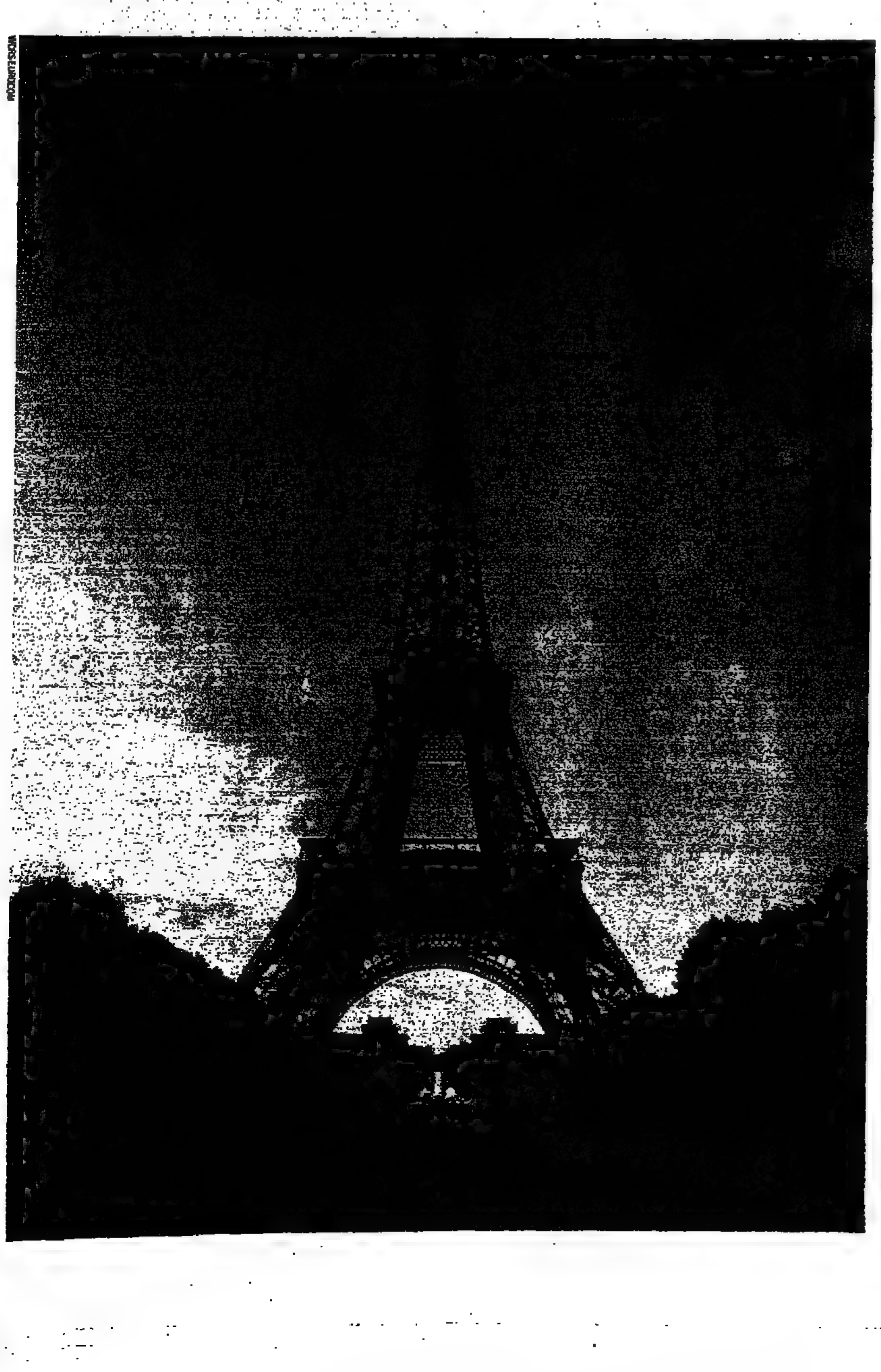
UK COMPANIES

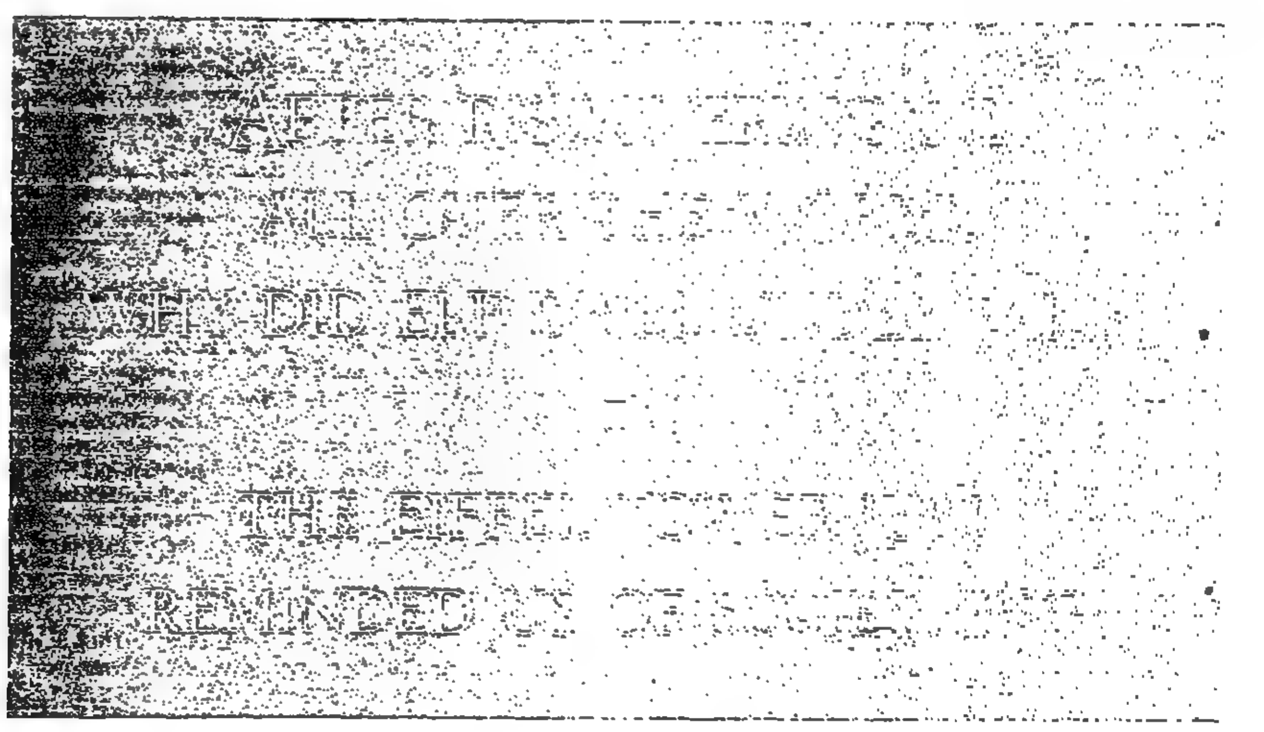
■ TODAY
COMPANY MEETINGS:
Fleming Fledgeling Inv. Tst., 25 Copthall Avenue, E.C., 12.00
Sleepy Kids, Spectra House, Spring Villa Park, Spring Villa Road, Edgware, Middlesex, 3.00
TR Pacific Inv. Tst., Mermaid House, 2 Puddle Dock, E.C., 12.30
BOARD MEETINGS:
Finals:
Chepstow Racecourse
Cooper Clarke
Dewhirst
FBD Hldgs.
Fortnum & Mason
Severfield-Reeve
T & S Stores
Interims:
Highland Distilleries
Dewey Estates
Tate & Lyle
■ TOMORROW
COMPANY MEETINGS:
BICC, Centre Point, 103 New Oxford Street, W.C., 12.00
Foreign & Colonial Inv. Tst., Skinners' Hall, 8 Dowgate Hill, E.C., 12.00
Gartmore Rintoul Inv. Tst., Charles Barker Ltd., Senator House, 85 Queen Victoria Street, E.C., 12.30
Heywood Williams, Forte Hotel, Clifton Village, Brighouse, West Yorkshire, 11.45
BOARD MEETINGS:
Finals:
BLP
Baillie Gifford Tech.
Boosey & Hawkes
British Dredging
City Centre Restaurants
Dagenham Motor
Ipeco
Meggitt
Next
Pittencrieff
OS Hldgs.
Sherwood
Tesco
Waterford Wedgwood
Interims:
Black & Edgington
Magnetic Materials
Pegasus
St. Ives
Martin Storeys
Wescol
■ WEDNESDAY APRIL 8
COMPANY MEETINGS:
Cowie (T.), Cowie Interleasing North, Hylton Road, Sunderland, 12.00
Foreign & Colonial Enterprise Tst., Exchange House, Primrose Street, E.C., 2.30
INOCO, St. Clements House, 2-16 Colegate, Norwich, Norfolk, 11.30
Kleen-E-Ze Hldgs., NSP House, 211 Lower Richmond Road, Richmond, Surrey, 10.00
Lancashire & London Inv. Tst., Great Eastern Hotel, Liverpool Street, E.C., 11.00
Persimmon, The Caledonian Hotel, Edinburgh, 12.00
BOARD MEETINGS:
Finals:
Blockleys
Braemar
CSC Inv. Tst.
Costain
Magnolia
Malaya
Ocean
Proudfoot (Alex)
Queens Moat Houses
Richards
Stylo
Sykes Pickavant
Total
Interims:
Cooper (Frederick)
Jersey Electricity
■ THURSDAY APRIL 9
COMPANY MEETINGS:
Metal Bulletin, Stationers' Hall, Ave Maria Lane, Ludgate Hill, E.C., 12.00
Moorfield Estates, Shern House, 16 Melbourne Road, Bushey, Hertfordshire, 11.00
Porvair, The Waterman's Hall, *18 St. Mary at Hill, E.C.*, 12.00
Radius, Ironmongers' Hall, The Barbican, 11.30
Ramsden's (Harry), Harry Ramsden's Restaurant, White Cross, Guiseley, Nr. Leeds, 11.00
Sedgwick, Conference Forum, Sedgwick Centre, E., 12.00
Stainless Metalcraft, Honeysome Indl. Estate, Cambridgeshire, 12.00
BOARD MEETINGS:
Finals:
AMEC
Britannia
Foreign & Colonial Pacific Inv. Tst.
Parambe
Rathbone Bros
Sindall (William)
Interims:
Dowding & Mills
■ FRIDAY APRIL 10
COMPANY MEETINGS:
Chieftain, The Gosforth Park Hotel, Newcastle upon Tyne, 12.00
Hewitt, UBS Phillips & Drew Securities, 100 Liverpool Street, E.C., 11.00
Takare, The Forte Posthouse, London Road, Ipswich, Suffolk, 12.00
BOARD MEETINGS:
Finals:
Anglo American Gold Inv.
Anglo American Inv. Tst.
Bilton (Percy)
New Central Witwatersrand
Ulster Television
Interims:
Star Computer

Company meetings are annual general meetings unless otherwise stated.

DIVIDEND & INTEREST PAYMENTS

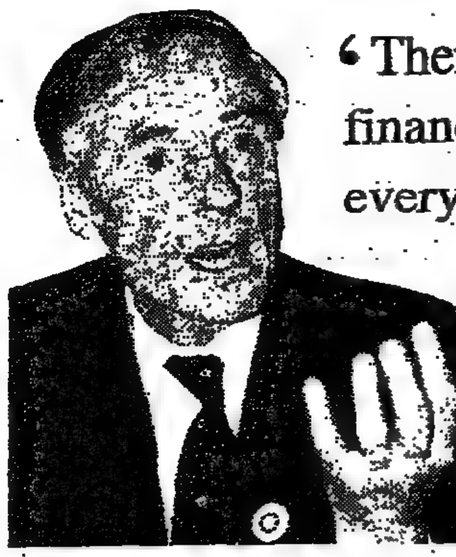
■ TODAY
Ashtead 1.1p
Avesco (Reg.) 0.5p
Do. (Br.) 0.5p
Bampton Property 7¼% Uns. Ln. 91/96 3.875pc.
Barbour Index 2.4p
Barr (A. G.) 4.3767p
Bellway 9½% Red. Prf. 2014 4.75p
Clarke Hooper 1.7p
Colman (E. Alec.) Invs. 9% 1st Mtg. Deb. 87/92 4.5pc.
Commonwealth Bank of Australia Puttable Adj. Rate Nts. 1992 A$114.38
Countryside Properties 2.7p
Dalepak Foods 1.5p
Electron House 1p
First Philippine Inv. Tst. 0.95p
Fleming American Inv. Tst. 0.75p
GWR 3p
Gibbs Mew 3p
Grand Metropolitan 14.3p
Greenalls 8¼% Irrd. Uns. Ln. 4.0625pc.
Do. 7% Irrd. Uns. Ln. 3.5pc.
Hawtin 0.55p
Heavitree Brewery 2.45p
Do. A 2.45p
Jacques Vert 2p
Jones, Stroud 3p
London Intl. 3.2p
Lonrho 5p
Macarthy 5p
Marshalls 1.25p
Matthew Clark 6.5p
McMullen & Sons 10½% Prf. 5.25p
Do. 6½% Prf. 3.25p
Micklegate 0.5p
Microgen Hldgs. 4.8p
Mid Wynd Intl. Inv. Tst. 2.4p
Mosaic Invs. 3.75p
PWS Hldgs. 2.5p
Peel Hldgs. 1p
Pope 2p
Practical Inv. Co. 1.1p
Saville Gordon (J.) 0.5p
Selective Assets Tst. 0.825p
Singapore Para Rubber Estates 1.1p
Sturge Hldgs. 11p
Warnford Invs. 2.75p
Whitbread 9% Uns. Ln. 97/2001 4.5pc.
Willoughby's Cons. 1p
Do. Pfd. 1p
■ TOMORROW
Acatos & Hutcheson 3.25p
Bradford & Bingley Bldg. Soc. 13% Perm. Int. Bearing Shs. 6.5pc.
Bradstock 3.4p
British Assets Tst. 1.04p
Browning-Ferris Inds. 17cts.
Carlton Comms. 9.4p
Dale Electric Intl. 2p
Fairway (London) 2.15p
Francis Inds. 9% Uns. Ln. 94/99 4.5pc.
Fyffes 0.8162p
Heath (Samuel) & Sons 1.5p.
Hill & Smith Hldgs. 3.9p
Koito Manufacturing 6½% Bds. 1999 Y175139
NFC 2.25p
Prospect Inds. 0.3p
Scottish National Tst. 1.35p
■ WEDNESDAY APRIL 8
Adscene 1.5p
Brunner Inv. Tst. 2.55p
Fleming Fledgeling Inv. Tst. 2p
Jos Hldgs. 1.75p
Kershaw (A.) & Sons 18p
Do. B Prf. 1.96875p
Kleinwort Charter Inv. Tst. 5.75p
Lancashire & London Inv. Tst. 1.9p
Rank Org. 20.75p
Security Pacific Corp. Sub. Fltg. Rate Nts. 1992 $112.17
Trust of Property Shares 1.432p
Unilever Australia 12% Gtd. Bds. 1995 6pc.
Willis Corroon 3.3p
■ THURSDAY APRIL 9
Associated British Cons. 2.2p
Bradford & Bingley Bldg. Soc. Fltg. Rate Nts. 1996 £270.38
Collateralised Mortgage Securities (No. 11) Class A Mtg. Backed Fltg. Rate Nts. 2028 £317.01
Cowie (T.) 3.375p
Domino Printing Sciences 4.15p
Enterprise Oil Sub. Fltg. Rate Nts. 1999 £58582.12
Kuala Lumpur Kepong Berhad 10sen
River & Mercantile Tst. 3.68p
Royal Bank of Canada Intl. Cap. Fd. Ptg. Red. Prf. 17.5cts.
Svensk Exportkredit AB 8⅜% Nts. 1996 4.1875pc.
Tomkins 3.22p
Torex Hire 0.4p
Union Bank of Finland Var. Rate Sub. Nts. 2000 $116.81
Wholesale Fittings 3.35p
■ FRIDAY APRIL 10
Asian Dev. Bank 11% Bds. 2001 5.5pc.
Bradford & Bingley Bldg. Soc. Fltg. Rate Nts. 1997 £264.61
Britannia Bldg. Soc. Fltg. Rate Nts. 1993 £267.28
Burlington 0.5p
Cantors 1p
Do. A NV 1p
Cassidy Brothers 0.75p
City Merchants High Yield Tst. 1.25p
Colefax & Fowler 1.3p
Courts (Furnishers) 1.83p
English & Caledonian Inv. 7.25p
Gardiner 0.85p
Heywood Williams 8p
Holmes & Merchant 3.3p
Lawson Mardon Class A Sub. Vtg. 10cts.
Liberty Life Association of Africa 65cts.
London Finance & Inv. 0.75p
Moorfield Estates 0.1p
Porvair 2.2p
Sanwa Australia Fltg./Fxd. Rate Gtd. Nts. 1997 $2916.56
Stakis 0.45p
State Bank of New South Wales 11¾% Nts. 1996 5.875pc.
Tribune Inv. Tst. 4.5p
Wyko 1.4p
Yorkshire Chemicals 9.75p
■ SATURDAY APRIL 11
Conversion 10% 2002 5pc.
■ SUNDAY APRIL 12
Enterprise Oil 11⅝% Uns. Ln. 2016 5.8125pc.
Ireland 12½% Ln. (Reg.) 2008 6.25pc.
Do. 12½% Ln. (Br.) 2008 6.25pc.





Getting directors on board

Norma Cohen reports on the deliberations on the Cadbury Committee



'There is a financial tag to everything which happens in a company'

Sir Adrian Cadbury

Sir Andrew Hugh Smith

Michael Sandland

Corporate governance is all about finding ways to make companies run better. But while the virtues of good governance are as controversial as apple pie and motherhood, the mechanics are another matter.

"Boards of directors must have the freedom to drive their companies forward, but within a framework of accountability." So says the opening paragraph of the latest draft of a report on corporate governance from Sir Adrian Cadbury's Committee on the Financial Aspects of Corporate Governance.

Yet maintaining a board's vitality while ensuring that it is answerable to its shareholders is not easy. There are wide disagreements among the affected parties as to the best way forward.

Sir Adrian's committee, which bears his name, has been grappling with just that for nearly a year.

In addition to the Accounting Standards Board, the accountancy profession and the London Stock Exchange which sponsored the committee, its members come from the Institute of Directors, the Bank of England, the Institutional Shareholders Committee, the 100 Committee of Finance Directors, the Confederation of British Industry and academics.

What distinguishes this committee from others is that it represents all the affected parties. And each has its own goal. Jonathan Charkhom, the Bank of England's man on the committee, says: "The Bank has a natural interest in the strength of British industry. We so often see the results of bad corporate governance."

The stock exchange and the ISC *say their goals are to improve the* information for shareholders, while the IOD would like to find a framework that is as loose as possible for better board governance.

A final version of the committee's recommendations is due in late May; Sir Adrian fears the public may be expecting far more than the report will deliver. For one thing, it will not address the headline-grabbing issue of executive pay, except to suggest that best practice is to disclose it. "Executive pay is part of the much bigger question of board accountability," Sir Adrian said.

He claims that despite the disparate membership, there have been no significant disagreements. However, private conversations with members suggest another story. While most members agree that "prescriptive" solutions are impractical, *some clearly favour greater* regulation than others.

Perhaps unusually for a such a committee, none of its discussions have yet been aired publicly. However, it is expected that the final report will include

- A code of practice for directors.
- A suggestion that audit and remuneration committees consist entirely of non-executive directors – a requirement which would force listed companies to have at least two non-executives.
- A requirement to disclose all non-auditing functions performed by the auditing firm for a fee.
- A recommendation that directors terms be three years at most
- *A new stock exchange listing* requirement which would force companies to disclose the extent to which they comply with best practice recommendations.

The last of these is, according to Sir Adrian, the guarantee that the report will effect change. "I believe standards need to be raised," he said. "I have no interest in just producing another piece of paper."

But privately, some groups of institutional shareholders have dismissed the listing requirement as falling short of what is needed. The Institutional Shareholders Committee, for instance, has called for disclosure of directors' performance-related pay and some of its more *hard-line members want that disclo*sure to be a requirement of stock exchange listing. That view is also likely to be supported by the Institutional Fund Managers Association.

However, Sir Andrew Hugh Smith, chairman of the stock exchange, argues that "directors' pay is not in my view a great issue". There is no need, he says, to require companies to place remuneration packages before shareholders at annual general meetings or even to make their disclosure a listing requirement. Simply requiring companies to explain their failure to disclose key bits of information is sanction enough, he argues. "If companies *are coming under criti*cism from shareholders, they don't like to be seen as different from other companies," he says.

Sir Andrew dismisses suggestions from some committee members that it was concern for the stock exchange's competitive standing – the fear that it would be unable to attract foreign companies for listing – that led him to that stance. Indeed, he says, it was the desire to improve disclosure to shareholders that led the stock exchange to urge the committee's formation in the first place.

Sir Adrian says that he believes the committee's most important work lies in the area of financial *reporting. The largest part of the* report will deal with directors' responsibilities to ensure the accuracy of information contained in financial accounts.

"There is a financial tag to everything which happens in a company. We have concentrated on the obligation to report and the accountability which goes with that," he says.

A third draft of the report, currently circulating to members, is nearly 40 pages long with appendices.

The Confederation of British Industry, whose members will be most directly *affected by the recom*mendations, is pressing within the committee for no recommendation of any specific board structure, nor any requirement for minimum numbers of non-executive directors.

The arguments against regulation are those with which Sir Adrian has expressed sympathy. "My view *is* that prescriptive solutions do not work," he said. Furthermore, even requiring set numbers of non-executive directors is no guarantee that they will be of sufficient quality.

That view is echoed by Blynth Jenkins, director of corporate affairs at the IOD. "If one was to impose a code of practice by regulation, it would stifle enterprise and innovation," he argues.

The desire to reach a consensus may account for the committee's reluctance to get tough on disclosure or other thorny issues. For many of the measures proposed by others on the committee are opposed by the CBI – seen as the main constituency *for* the report's final conclusions. The CBI opposes proposals to expand the auditing functions, to ban auditors from performing non-auditing services or to disclose the terms of directors' service contracts.

Some of the thorniest questions raised in committee meetings relate to the role of non-executive directors and whether granting them any special monitoring or oversight role undermines the concept of the so-called unitary board.

While two-tiered boards are common practice in the European Community, unitary boards giving equal responsibility to all directors are favoured on both sides of the Atlantic. While the committee has rejected any departure from the unitary board – the CBI and the Institute of Directors remain concerned about the the role of non-executive directors.

"If you give non-execs a policing function, are you not admitting two-tiered boards as a *de facto* situation?" Jenkins asks. The CBI agrees: "We believe that a single-tier structure with no legal or formal distinction between the role and duties of executive and non-executive directors makes it clear where responsibilities lie; with the *board both collectively and individ*ually".

In its last few weeks, the committee is going to have to grapple with the question of how boards must be structured to enable them to police themselves.

When the time comes for shareholders to stand up and be counted

Anybody who believes that shareholders will provide the key to better corporate governance may be a little optimistic.

Consider the case of Tace, *maker of* environmental control equipment, versus its institutional shareholders, probably the most public and fierce of all recent boardroom battles.

The protagonist, Michael Sandland, chief investment officer at Norwich Union and chairman of the Institutional Shareholders Committee, won kudos from the press, the Bank of *England, and the public at large for his fight to* rid the company of what was perceived to be profligate, inefficient and arrogant management.

***But behind the scenes, Sandland's activities* were questioned by his own board as well as by fellow shareholders, and in the end, only one other institution agreed to help pay the bill for the effort. *Norwich Union and Framlington* alone were left to split a £60,000 bill for solicitors' services,with other costs paid by Tace's new management. To the public eye, it was a case of fund managers robustly defending their clients' interests after attempts to bring in a new and more efficient management failed.**

As the battle dragged on, institutions representing some 40 per cent of Tace's shares succeeded finally in toppling the management, only to have the company become the target of a successful takeover bid by Cambridge Elec*tronics. But privately, quite another story* emerged.

According to an account of the battle prepared by KPMG Peat Marwick, the accountants, the *matter began when a Tace director, concerned* about excessive remuneration for the chairman, contacted the Bank of England.

The Bank then advised the shareholder to contact Sandland, holder of 5 per cent of Tace's shares. It then appears that when attempts to replace the chief executive voluntarily were likely to be unsuccessful, Sandland lined up two other shareholders, Framlington and GT Management, to help him oust the board.

But early on, GT dropped out, while other institutions needed active hand-holding to maintain their support throughout the affair.

For his part, Sandland will not comment on the specific events.

However, he argues that the desire to keep* such battles out of the public eye – as well as the lack of resources available to fund managers to engage in them – makes institutions *reluctant to engage in concerted action.

"You are unlikely to get some kind of pan-institutional framework because shareholders are unwilling to surrender to a third party their proxy rights," Sandland argues.

Learning the lesson of ABC

British companies which rushed to embrace supposedly solve-it-all accountancy systems, like activity-based costing (ABC) in the late 1980s, have jettisoned all pretence at using them in the recession.

So say Bob Sweeting, of the School of Management at the University of Manchester Institute *of Science* and Technology (Umist) and Roy Davies, of the accountants Price Waterhouse. Two years ago, Sweeting and Davies studied *management accounting* methods among 700 businesses.

They found wide confusion about ABC and how it was supposed *to work. This was generally because* companies had tried to graft new systems onto existing ones that were poorly structured in the first place. *Sweeting and Davies have* since followed up with a series of workshops around Britain for the companies they studied.

The techniques were *being sold* hard by management consultants before the recession. "But like all fashions and fads, they fall by the wayside in hard times and people revert to basics like immediate cash and stop thinking about the longer term," Davis adds.

Done properly, he says the methods are invaluable because they provide a complete view of the profitability of every corner of the business and the impact of each department on the costs of every other.

Sweeting says the minority who have applied modern techniques correctly have a better view of the dynamics of their businesses and have been *able to make* better decisions about what they can afford to cut in the recession.

The workshops showed that larger companies have kept investing in improving their accounting methods during the recession, while medium-sized or smaller ones have tended to let people go or drop their consultants.

"For many companies, developing ABC or similar techniques is seen as discretionary spending. It is one of the first things to go," Davies says. But *installed properly, rather than* bolted on as a panacea for already muddled score-keeping, the process becomes self-financing, he says.

Ian Hamilton Fazey

PEOPLE

Engineering change at Trafalgar House

Ian Robinson's appointment to the board of Trafalgar House is yet another sign that the embattled conglomerate's future growth lies more in engineering than in its shipping, property and Ritz hotel businesses.

Last July, Trafalgar House greatly expanded its engineering interests by taking over Davy Corporation; Robinson's appointment to the main board is part of a reorganisation of the management of a division which now accounts for roughly half of the group's near £4bn turnover and 40,000 workforce.

Robinson, 49, and a chemical engineer, joins Allan Gormly, 54, chairman of Trafalgar House's engineering division, who went onto the main board in 1986 and is regarded as a possible successor to Sir Eric Parker, the group's chief executive.

Robinson has spent 28 years in the petrochemical and oil and gas industries. However, *he is a relative newcomer to* Trafalgar House, joining its John Brown subsidiary in 1986, and has risen quickly through the ranks. He will assume responsibility for the group's process engineering and construction operations, roughly equivalent to a quarter of Trafalgar House's total business.

By going on to the board he has leapfrogged Ted Bavister, 58, who continues as deputy managing director of the engineering division. Bavister, the next *president* of the Institute of Chemical Engineers, is regarded as one of the industry's elder statesmen.

Meanwhile, *in a bid to* improve its battered City image, Trafalgar House has hired a new public relations director. Tim Halford, 45, spent 10 years as the European pr man for Armand Hammer, the late boss of Occidental Petroleum, and was most recently group public affairs director of Grand Metropolitan.

■ Christo Philipson is to succeed Michael Wates as chairman of BRITISH BLOODSTOCK AGENCY in September. Philipson, 63, has been managing director for 13 years and says that his key challenge will be to direct the agency's affairs during a period when most of the main horse-racing countries are hoping to shrug off recession.

BBA's four main interests are buying racehorses internationally, insurance, the management and syndication of stallions, and transport. Bloodstock and racing have been badly depressed of late, especially in Britain.

Peter Bickmore, who joined BBA three years ago when it bought *Pegasus Insurance* Services, became managing director on April 1.

AEROSPACE ENGINEERING, the Swindon-based specialist engineer, has appointed Ian Brodie, a 40-year old chartered accountant, *as group finance* director.

Brodie, a Scot, joins the company on March 31, *succeeding John Ellison*, who will continue as director and company secretary. John Davis, the chairman, explains that: "In the present climate we thought that it would be a good move to strengthen the financial side."

In January, the company reported a pre-tax loss of £271,000 for the six months ended October 31, but Davis says the search for a finance director began long before the announcement.

Brodie joins Aerospace Engineering from GEC Plessey Semiconductors, also in Swindon.

Bodies politic

■ Ansel Harris has been appointed chairman of UKJAID.

■ John Robley-Dixon has been *appointed chief executive of* the INSTITUTION of INDUSTRIAL MANAGERS.

■ John Cooper has been appointed *head of retailing* at the IMPERIAL CANCER RESEARCH FUND.

■ Brian Tayler, a former naval equipment *official at the* Ministry of Defence, has been made director of the British Marine Equipment Council, a trade body *grouping 105* companies mainly in the shipbuilding and offshore industries. A chartered engineer, *he takes over the* job from Rear Admiral Peter Hammersley, who is retiring. He will also be vice president of the European Marine Equipment Council.

■ Gerhard Mann, general manager and chief executive of Bayerische Landesbank Girozentrale London branch, is chairman of The ASSOCIATION OF INTERNATIONAL SAVINGS BANK IN LONDON; Leonardo *Simonelli of Etrufin Reserco* and George Gonszor of Hill Samuel are deputy chairmen.

■ Lionel Allery, who retired *recently from Marks &* Spencer, has taken over from Lord Caldecote as chairman of the MARY ROSE TRUST. *He was already a trustee.*

■ Elizabeth Gloster, a specialist in company law, and Frank Vibert, deputy director *of the Institute of Economic* Affairs, have been appointed to the CIVIL AVIATION AUTHORITY board.

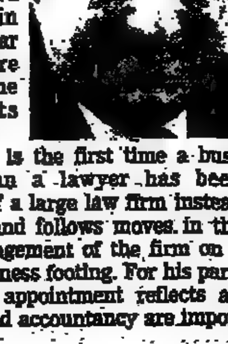
■ Colin Mclean has been promoted from technical director to become director general of the MEAT AND LIVESTOCK COMMISSION when Chris Oberst retires at *the end of August.*

■ Roger Westwood, a director of Hogg Robinson, has been elected to become president *in June of the SOCIETY OF* PENSION CONSULTANTS in succession to David Johnson.

■ *Ted Bavister*, deputy md of John Brown, is the new president of the INSTITUTION OF CHEMICAL ENGINEERS.

■ *Julian Smith*, divisional director at ESN Pension Management Group, has been appointed chairman of the central London branch of the INCORPORATED SOCIETY OF VALUERS AND AUCTIONEERS.

An injection of commercial mettle



Peripatetic businessman John Jackson, chairman of SD-Scicon and Graseby, and vice-chairman of Ladbroke, is to become chairman of Mishcon de Reya, the *law firm which Lord* Mishcon founded in Brixton before the war and which has more recently made a name defending clients against libel actions.

Mishcon believes it is the first time a businessman rather than a lawyer has been appointed chairman of a large law firm instead of a senior partner, and follows moves in the 1980s to put the management of the firm on a more professional business footing. For his part, Jackson believes his appointment reflects an awareness that law and accountancy are important parts of the business community and could do with an injection of commercial mettle.

Jackson – who was called to the bar but never *practised – is* not averse to unconventional career moves. After 28 years with British Philips, where he is still a director, he launched a career on his own, largely to indulge his *interest in new ideas* and the start-up of high technology businesses.

Now 62, he spent five years during spare time at Philips making his family self-sufficient in milk, eggs, meat and vegetables, using borrowed land on which he paid rent of "one fat lamb per acre per year".

Not content with just walking around Annapurna in Nepal on a sabbatical from Philips, he collected over 2,000 packets of seeds which he has distributed to European botanical gardens.

Lord Mishcon, 75, who has a minimum of five more days, as Her Majesty's opposition chief legal affairs spokesman, will also continue to advise clients as an active consultant.

Eileen Gray

Industrial perforated metal mesh is the stuff of a folding screen; a standing light brazenly bares an undisguised tungsten tube; chairs contrast gleaming chrome with matt black leather. It is difficult to appreciate that most of the Eileen Gray furniture on show at the Design Museum was conceived before 1930. It is revealing that much of it was made more or less yesterday.

Not long before her death in 1976, aged 98, Eileen Gray was 'rediscovered'. "It is odd how no one has paid homage to Eileen Gray for 30 years: considering that the last person to do so was Le Corbusier," the architect Joseph Rykwert wrote in *Domus* in 1968. Exhibitions of her work – not only of furniture, furnishings and fittings, but of her architectural projects, too – were staged in Vienna, London, Paris, and toured the US.

At the beginning of the Seventies, her early, Art Deco lacquer furniture found fabulous prices at auction. By the end of the decade, her minimalist 'design classics' were being reproduced in London by Zeff Aram and in Paris by Andrée Putman. The woman who had been dismissed as a mere decorator was hailed as a pioneer of Modern design.

The current small "Designer Profile", tucked into a corner of the cavernous Design Museum, tells us little that we did not already know and omits a great deal. Only the generously proportioned Lota Sofa, with its plump salmon pink canvas cushions and silky black and cinnabar lacquer side box units, alludes to her early Paris interiors. It is hard to imagine it as part of a bizarre, opulent scheme – informed by Cubist and African art – of exotic woods, lustrous lacquers, imaginative lighting effects, abstract rugs, and animal skins. Like so many of her pieces, it seems hauntingly contemporary.

Her early work is in danger of being dismissed because it was decorative. The daughter of aristocratic Irish parents, Gray had learnt the technique of oriental lacquer at a workshop in Soho while studying at the Slade in 1898. She moved to Paris in 1902, and 20 years later opened a shop, Jean Désert, as an outlet for the lacquer screens, furniture, lamps, divans, mirrors and rugs made in her two workshops.

She was patronised by the couturier and connoisseur Jacques Doucet, and modiste Suzanne Talbot. Coco Chanel commissioned the striped rug on show. Her schemes began to attract the attention of avant-garde designers and architects: J.J.P. Oud of the Dutch de Stijl group; Le Corbusier; and the Romanian architectural critic Jean Badovici.

Badovici encouraged her to take up architecture and in 1926 they collaborated on her first house, E-1027, in Roquebrune in the South of France. Practically everything in it was made in her workshops or to her specification. Completed in 1929, and much admired, it prompted Gray to close down Jean Désert and concentrate on architectural projects.

She was to build only two houses, both for herself. None of her other progressive schemes were realised, apart from the Paris studio designed for Badovici which made ingenious use of restricted space. With their furniture, furnishings, fixtures and fittings – even down to an aluminium junction box – E-1027 and her second home, Tempe a Pailla, near Menton (later sold to Graham Sutherland), are near perfect expressions of the functional, informal small house.

Far from representing a break with her previous designs and interiors, these highly individual schemes reflect a honing of ideas and of language, now unequivocally Modernist. The Gesamtkunstwerk of E-1027 had its roots in earlier interiors, as did her experimention with unusual industrial materials. A row of tubular steel chairs of the 1920s by Marcel Breuer, Mies van der Rohe and Le Corbusier – icons of the Modern Movement – make the point that Gray was also experimenting with similar materials and new construction techniques.

There is a vestigial luxury too. The pneumatic Bibendum Chair, a fine example of the transition of an idea from the factory floor to the sitting room, was supremely comfortable as well as pleasing to the eye, light, inexpensive and easy to clean. What is so striking about Gray's brand of rationalism is its humanity. She never forgot that her "units" were homes. Colour was reduced to monochromes but rich textures remained.

Much of what is exhibited is of enduring appeal. There is the padded leather Transat chair slung within a lacquered frame, copied by Frank Stella for his own use. A bold lacquer screen is a chequerboard of black blocks and voids that defines space and is penetrated by it. The elegant, ocean-linerish S-Bend Chair made for outdoor use, neatly folds for storage. An occasional table is devised so that its base can slide under a bed or armchair; a corner of a bathroom mirror pivots to suit the user.

Gray's designs for flexible, multi-functional furniture, various space-saving storage units, and for prefabricated "Tube" houses, reflect the prevailing concern to come to terms with the realities of post war life and provide low-cost, compact and functional housing. Similarly, the reappraisal of her work in the past two decades reveals the ultimate sterility of Modernism if divorced from the needs of human beings, in mind, body and spirit.

Susan Moore

"Eileen Gray" continues at the Design Museum, Butlers Wharf, SE1, until July 5.

Eileen Gray

SPONSORSHIP

Businesses in league with art

"We would not do it if it was not in our business interests" says Lord Young, chairman of Cable & Wireless. Few leading businessmen are so categorical about why they support the arts: yet this hard headed approach may be better for the long term future of sponsorship than transient do-goodism.

Cable & Wireless invests sparingly under its corporate name, but with a splash. It took Ashkenasy back to the Soviet Union; it brought the Chinese ballet to Sadler's Wells. With both countries it has extensive potential dealings which were nurtured through these arts contacts. Last week it helped finance the visit of the English National Ballet to Hungary.

The evening in Budapest was a highly successful occasion. The patron of the ENB, the Princess of Wales, was there, which was a tremendous PR bonus; the audience was ecstatic about the performance; and all the right people from the Hungarian government attended. Cable & Wireless is part of a consortium seeking a contract running into many hundred millions of dollars to modernise Hungary's telecommunications. The direct cost of the sponsorship was only £35,000, although essential extras lifted this to a still reasonable £50,000.

While sponsorship in the UK faces a difficult time, many companies are following Cable & Wireless in pursuing overseas export objectives with the help of the arts. The British Council acts as a not disinterested pump primer and persuaded companies to contribute £5.5m towards sponsorship initiatives abroad in the financial year that ended last week. Almost two thirds of this went into arts activities: the rest into training and education projects. That was comfortably above target and compares with the £3.83m brought in during 1990-91.

The idea is that the British Council comes up with some cash while business supplies the rest, and more. For 1992-93 it has set itself a target of £5.8m but so far the response has been encouraging. Glaxo has come up with £150,000 to make possible an exhibition of sculpture by Anthony Caro in the Trajan markets in Rome in May, while a raft of companies, including British Steel and, would you believe it, the notoriously tight fisted GEC, are contributing £170,000 towards a Henry Moore exhibition in Paris at the same time.

Other sponsorships on line include Chartered West helping the Hallé to tour Argentina and Brazil, while Marks & Spencer has added £30,000 to its original £60,000 to take a revamped version of the British fashion show All Dressed Up, to the Far East.

Not every project succeeds. No sponsor could be found for the CBSO's tour of the US, so the British Council was forced to up its contribution while the artists, and their agents, including conductor Simon Rattle, took a cut in fees.

The plight of arts sponsorship in the UK in 1992 was well summed up by Bob Horton of BP at the BP Arts Journalism Awards ceremony this week. The recession, and withering criticism of sponsorship by some commentators, is stripping away corporate support for the arts. BP, traditionally one of the biggest sponsors, has been forced to reduce its budget from £1.2m in 1991 to £940,000 this year.

What upset Bob Horton most is the entrenched hatred of sponsors by certain critics. Sponsors seem to be remarkably thin skinned in their reaction to such attacks but then they still have to justify their expenditure to Philistine directors inside companies. It suggests that sponsorship still has a superficial hold in many boardrooms.

Against the trend Digital, which has concentrated most of its marketing expenditure on sponsorship and, in particular dance, for the past six years, last week announced a 10 per cent increase in its 1992-93 budget to £550,000. Among the ventures are the financing of two new productions, *A Christmas Carol* by the Northern Ballet Theatre and *Cinderella* by English National Ballet.

ENB has announced that it exceeded its 1991-92 sponsorship target by £250,000. It looked for £340,000 and brought in £590,000. It expects things to be tougher in this financial year, but with 80 per cent of its backers, including Digital and NatWest, continuing to support the company, it is confident of reaching a modest target of £400,000.

Next week end sees the climax of the BBC's first and most successful flirtation with outside sponsorship, the broadcast final of Young Musician of the Year competition in association with Lloyds Bank. The bank has committed £1.3m to the project during five years but is more than happy with its investment, especially the 5m audience of five million people expected for next Saturday night.

The fact that the competition takes place every two years enables it to feed in additional packages, which will be highlighted in self-contained features during the three hour transmission. This season it added a Lloyds Bank Young Composer competition and a Lloyds Bank Fashion Challenge; the challenge being for young designers to devise comfortable clothes for the finalists to wear. This fitted in neatly with Lloyds sponsorship of a fashion award, which also gets TV coverage.

The BBC has had second thoughts about its biggest potential arts tie up. It has dropped its search for a sponsor prepared to put up £2m to be linked to the Proms. It was not because of a lack of enquiries: rather a decision by the BBC's new director general John Birt, who does not want the flagship Proms to be "sold" to outside interests.

Audi is backing the newly formed London Philharmonic Youth Orchestra with £160,000 during three years. The 60-strong ensemble of musicians aged between 17 and 23 will perform at least nine concerts each year.

Antony Thorncroft

Epsom Downs

All are equal above, under and on the turf: discuss. That is what Howard Brenton's *Epsom Downs* sets out to do, testing the sentiment that the Derby belongs to everyone. The Bristol Old Vic energetically rekindles the jubilee flames of Brenton's 1977 social drama: this is a busy, fizzy evening, long on social comment and short on plot.

Brenton has always leaned on contemporary events for dramatic matter. In 1980, *A Short, Sharp, Shock* was a kick at Tory misery; in 1985 came *Pravda*, a two-armed jab at Fleet Street with David Hare; and 1990 brought *Moscow Gold* and the trials of Mikhail Gorbachev. Brenton writes counter to the natural state of affairs in society. His dissident snapshots of England tend to fade. But the Derby Day milieu for *Epsom Downs* does not date, only the participants.

Behind Brenton's canvas stands that great Victorian picture by W.P. Frith. One of Brenton's characters says: "England at peace on Derby Day, it's just a picture". Through the frame, representatives of rooted English classes parade, bred to their station in life, at war with themselves and each other: gypsies, middle-class families, horse owners, aristocrats, life peers, tinkers, drunks, and the ghost of that 1913 Derby, the suffragette Emily Davison (run down on Tattenham corner by George V's colt, Anmer).

Emily Davison's spirit presides over the brawling, betting and boozing like a national conscience. Hers is the only guiding voice. Elsewhere, Brenton touches on racing politics with a paean to Lord Wigg ("yanking the balls off the Jockey Club"), who established the Levy Board in 1962-63. Brenton's strength is caricature rather than debate: he never fears the obvious. The simple set supports this clear vision. Elgar's cello concerto drifts over a green sward; people and litter arrive, telling of a despoiled environment.

The cast of nine under Ian Hastings' direction performs with zest and wit. Each takes several roles; Lesley Nicol as a worried mother, revivalist preacher, drunk and lunatic is consistently engaging, as is Nigel Betts as a grandfather, owner, bookmaker and horse. The Derby is a riot of incident, and the effects – simple and apt. Lester Piggott wins after a taxing run on The Minstrel.

Andrew St George

Bristol Old Vic until 25 April (0272) 250250.

Atys and Amadis in New York

To have one Lully opera playing in a city is something of rarity: in New York, both *Atys* and *Amadis* have been playing. *Atys* is the great Arts Florissants production, on a return visit to the Brooklyn Academy. Its glories have been sung in these columns often enough to need no comment beyond that the execution, lovingly directed by William Christie, still becomes (after 70 performances, 36 of them at the Opéra-Comique, eight in Brooklyn) ever more precise, more moving, more bewitching. It's a revelation of what Baroque opera can be and mean.

Amadis is put on by the Moving Breaths Theatre Company, which plays in the Gene Frankel Theatre, a Greenwich Village space. There are eight soloists, a chorus of four, no dancers, and a slogging modern string sextet around a loud electric harpsichord. The production was announced (wrongly) as the first *Amadis* since 1771, and we were promised "a testimonial to a nation inactive on its own ground and over-active on the territories of others...a primer on how to romanticize your past in order to enrich your barren present...a rip-roaring romp through the Old West for the sake of our crumbling America." It was no such thing.

I liked Moving Breaths' sharp staging last year of Monteverdi's *Madrigals Amorous and Martial*, whose military metaphors were given Gulf War representation. But the *Amadis* was coarse, clumsy, and ill-executed. An electric harpsichord and string sextet slogged through the score. In a theatre where a whisper would tell, the singers tended to bellow. Lully reverted to being the pre-Rameau bore we used to think him before the Arts Florissants *Atys* lit our understanding and played upon our most responsive emotional nerves.

At Mannes College, Donizetti's comedy *I pazzi per progetto* had its American premiere. He's another composer misunderstood - one of the most lovable, honest, and generous of men, in tragedy or in comedy communicative about human beings as they live, laugh, and suffer in our strange old world. Too often we see the real, rounded characters of *Don Pasquale* and *L'elisir* busied and bustled into farce. And the Mannes *Pazzi* was overproduced and overdesigned - albeit deftly and inventively. Far too much went on. Amy Kaiser was a lively conductor, but the show would have been twice as enjoyable had it been half as strenuous and half as loud.

Judith Weir's *King Harald's Saga* – a three-act, nine-soloists-and-chorus, epic grand opera, compassed in about 12 minutes by one unaccompanied solo soprano (it was created by Jane Manning) - has caught on in America as a concert tour-de-force. I'd not seen it staged until the American Chamber Opera mounted it, cunningly produced by Roger Sullivan, in decor by Queen Margarethe of Denmark, and with Margaret Astrup as a protean, effortlessly able soloist.

It opened a triple bill in the Marymount Manhattan Theatre - an East-side mini – Bayreuth. There followed Dominick Argento's songcycle *The Andrée Expedition*, for baritone and piano (Hakan Hagegard introduced it here a few years ago), also dramatized, by Andrew Joffe. With skill and subtlety, Brent Porter played the three Swedes who rashly set out in a balloon, in 1897, to reach the North Pole, perished, but left behind letters, diaries, and film that was found and developed when their bodies were discovered some 30 years later. Argento is a cunning, imaginative chooser and compiler of texts and a stirred, able composer. *The Andrée Expedition* was moving.

Rimsky-Korsakov's two-men-plus-orchestra opera *Mozart and Salieri* closed the bill. Mozart was played by a tenor called William Walton, but the performance was otherwise unmemorable.

The Met's annual Lenten and Easter revival of *Parsifal* assembled what I suppose could be considered the world's leading cast: Siegfried Jerusalem, Waltraud Meier, and Kurt Moll, conducted by James Levine. But only Moll was wholly, consistently satisfactory. Meier – one hears that she now has heroic-soprano ambitions and is contemplating Isolde – had lost her low notes, was uneasy on the peaks, and only in the middle register remained her usual eloquent self. Jerusalem, apparently undirected, was embarrassingly skittish at times. But all three gave seasoned, sure performances. Levine's conducting was slow; he has said "When I'm in the middle of a *Parsifal* performance, my idea of heaven is that it will never get over". He holds the world record for duration, and gets nearer to his heaven each year. Yet the Met orchestra played with such beauty of tone that one didn't mind.

Otto Schenk's production is as flat and featureless as his Met *Ring*. Schneider-Siemssen's decor is decorative, large-scale tinselly. But most of the right things happen. After the Robert Wilson *Parsifal* in Houston, in which many striking Wilson things but few Wagner things happened, it was good to get back to something like the work that Wagner composed.

Andrew Porter

INTERNATIONAL

ARTS GUIDE

TODAY'S EVENTS

ATHENS

Concert Hall 20.30 Vyron Fidedjis conducts the Athens State Orchestra in works by Beethoven, Ginastera and Brahms. Wed: New Symphony Orchestra of Moscow gives first of four concerts (722 5511)

BERLIN

MUSIC

Schauspielhaus 20.00 Trevor Pinnock conducts Messiah, with the English Concert and soloists. Fri: Hans Graf conducts the Berlin Radio Orchestra and Chorus in choral works by Brahms and Schubert. Sat, Sun and next Mon: Horia Andreescu conducts the Berlin Symphony Orchestra in works by Mozart, Grieg and Stravinsky (East Berlin 2090 2156)

Deutsche Oper 20.00 Rigoletto with Ingvar Wixell in the title role. Tomorrow: ballets by Michael Clark, Stephen Petronio and Bill T Jones. Wed and Sat: concert performances of Bellini's Beatrice di Tenda. Thurs: Die Zauberflöte. Fri: Fidelio. Sun: Lohengrin (West Berlin 3410 249)

Staatsoper unter den Linden 19.00 Cosi fan tutte. Tomorrow: ballets by Balanchine, Bogaerts and Forsythe. Wed: Salome. Thurs: Le nozze di Figaro. Fri: Il barbiere di Siviglia. Sat: Tannhäuser. Sun: La traviata (East Berlin 2004 762)

THEATRE

East Berlin: on Thurs, the Maxim Gorki Theater has the first night of a new production of Edward Albee's 1962 play Who's Afraid of Virginia Woolf, directed by Martin Meltke (repeated on Sat). The repertory also includes Arthur Miller's Death of a Salesman and Shakespeare's As You Like It (2082 748). The Deutsches Theater Kammerspiele has a new production of Tartuffe opening on Fri (preview on Wed), plus Peter Shaffer's 1987 comedy Lettice and Lovage on Sun (2871 226).

West Berlin: the Schaubühne has Botho Strauss' Schlusschor tomorrow, Thurs, Fri and Sat (890023). The Theater des Westens has the musical Sweet Charity daily except Mon till April 19 (3190 3193).

DRESDEN

Semperoper 19.30 Les Contes d'Hoffmann. Tomorrow: Fidelio. Wed: ballets by Johannes Bönig. Sat and Sun: Walter Weller conducts the Dresden Staatskapelle in Beethoven's Ninth Symphony (4842 323). Sat and Sun in Kulturpalast: Petr Altrichter conducts the Prague Symphony Orchestra in a Mozart and Dvorak programme (4866 306)

LONDON

Covent Garden 18.00 Michel Plasson conducts John Cox's production of Guillaume Tell, also Fri. Tomorrow and Sat: Les Contes d'Hoffmann. Thurs: Kirov gala (071-240 1066)

Barbican 19.45 Vernon Handley conducts the RPO in works by Bantok, Finzi, Delius and Vaughan Williams. Sat: Viktoria Mullova (071-638 8891)

Royal Festival Hall 19.30 Evgeny Svetlanov conducts the Philharmonia in Tchaikovsky's Second Symphony and Debussy's La Mer, repeated tomorrow. Thurs: Zubin Mehta conducts the LPO. Fri and Sat: Chicago Symphony Orchestra. Sun: Sinopoli conducts the Philharmonia (071-928 8800)

Queen Elizabeth Hall 19.45 Song recital by Joan Rodgers. Tomorrow: Oliver Knussen conducts the London Sinfonietta. Wed and Thurs: Donatella Flick Conducting Competition (071-928 8800)

MILAN

Teatro alla Scala 20.00 Song recital by Vesselina Kasarova. Tomorrow, Wed, Fri, Sat, Sun: La traviata. Thurs: Lorin Maazel conducts Victor de Sabata memorial concert (7200 3744)

MUNICH

Staatsoper 19.00 Stefan Soltesz conducts Giancarlo del Monaco's production of Die Liebe der Danae, also Thurs. Tomorrow and Sat: Don Giovanni with Thomas Allen and Edita Gruberova. Wed: Peter Wright's production of Sleeping Beauty. Fri: John Neumeier's production of Nutcracker. Sun: Parsifal (221316)

Gartnerplatztheater 19.30 Eugen d'Albert's opera Tiefland, also Wed. Thurs: Luisa Miller. Fri: Le nozze di Figaro. Sat: Entfuhrung (201 6767)

Herkulessaal der Residenz 20.00 Recital by Midori, accompanied by Robert McDonald. Tomorrow: Hagen Quartet. Wed: Munich Symphony Orchestra. Fri: Bach's St John Passion (299901). Wed in Philharmonie: piano recital by Ivo Pogorelich (299901). Thurs and Fri in Philharmonie: Colin Davis conducts Elgar's First Symphony (558080)

Kammerspiele This week's repertory includes King Lear tomorrow and Sun, Botho Strauss' Schlusschor on Thurs and Goethe's Stella on Fri (23721 328)

● A selection of theatre and concert tickets is available at Konzertkasse Beck on the fourth floor of the Beck department store at Marienplatz 11

NEW YORK

Metropolitan Opera 20.00 James Levine conducts Otto Schenk's production of Elektra, with Hildegard Behrens, also Fri. Tomorrow and Sat: Billy Budd. Wed: La fanciulla del West (Domingo). Thurs: Parsifal. Season ends on April 18 (362 6000)

PARIS

Palais Garnier 19.30 Ton Koopman conducts the Amsterdam Baroque Orchestra and Netherlands Bach Choir in Bach's St Matthew Passion. Fri: first of ten performances of Pierre Lacotte's production of La Sylphide (4017 3535)

Opéra Bastille 19.30 Myung-Whun Chung conducts Nicholas Joel's production of Un ballo in maschera, with Luciano Pavarotti, Aprile Millo and Alexandru Agache. Repeated on Thurs. Tomorrow, Wed, Fri, Sat: Noh theatre production by Yukio Mashima (4001 1616)

Auditorium, Forum des Halles 19.00 Piano recital by Artur Pizarro. Tomorrow and Sat in Chatelet: Swedish Radio Symphony Orchestra. Wed, Fri and Sun: Dallapiccola's opera Il Prigioniero (4028 2840). Wed, Thurs, Sat in Salle Pleyel: Claus Peter Flor conducts Brahms' German Requiem. Fri: concert performance of Der Freischütz (4563 0796)

ROME

Teatro dell'Opera 20.30 Song recital by Mariella Devia. tomorrow, Thurs, Sat: George Prêtre conducts Verdi's Requiem (488 3641)

VIENNA

MUSIC

Musikverein 19.30 Andrew Davis conducts the BBC Symphony Orchestra in Shipley's Hasta longina, Brahms' Violin Concerto (Christian Tetzlaff) and Sibelius' Fifth Symphony, repeated tomorrow. Thurs, Fri, Sat: Gary Bertini conducts Brahms' German Requiem. Sun: Messiah (505 8190)

Konzerthaus 19.30 Ralf Weikert conducts the Orchestra of the Zurich Opera House in works by Beat Furrer, Ives, Falla and Respighi (5053 6356). In the Mozart Saal: Lieder recital by Peter Schreier. Tomorrow: Vienna Chamber Orchestra. Wed: Hans Zender conducts the Austrian Radio Symphony Orchestra. Thurs and Sat: Mariss Jansons conducts the Vienna Philharmonic (712 1211)

Staatsoper 20.00 Wozzeck, also Fri. Tomorrow: Khovanshchina. Wed: Don Quixote ballet. Thurs: Aida. Sat: Entführung. Sun: Romeo and Juliet ballet (51444 2960)

THEATRE

The Burgtheater has Ibsen's Enemy of the People tomorrow, Hofmannsthal's Der Schwierige on Wed and Thurs, and Claus Peymann's new production of Macbeth on Sat and Sun. The Akademietheater has Botho Strauss' Schlusschor on Wed and Fri, and Brecht's Baal on Thurs (51444 2218)

● Telephone sales of tickets for the Staatsoper, Volksoper and Burgtheater are available worldwide for holders of credit cards by ringing Vienna 5131 513

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

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Monday April 6 1992

A protest vote in Germany

FOR 40 post-war years, successive West German chancellors have been able to count on almost automatic support from domestic public opinion for policies aimed at extending west European integration. That era of comfortable certainty has now come to an end. For German voters, the kind of Europe which Chancellor Helmut Kohl signed up to deliver at Maastricht four months ago appears to be increasingly unpopular. There are deep implications for the new governments taking shape in Paris, London and Rome.

Because united Germany is Europe's pivotal power, Europe will move forward only at the pace to which Germany agrees. The Maastricht blueprint for a united Europe was condemned by many Euro-federalists as being too half-hearted. But in the area of chief German concern – establishing a firm timetable for proceeding to economic and monetary union – the Maastricht programme may prove to be too ambitious.

Yesterday's protest vote against Mr Kohl's Christian Democrats in two important regional elections was not, of course, simply a sign of dissatisfaction with Europe. The outcome was a signal of the general political strains caused by German unification. In Baden-Württemberg, disquiet about record numbers of immigrants seeking asylum was an important factor behind the improved showing of the far right. Yet a general reason for the anti-CDU swing was undoubtedly disquiet that, at Maastricht, Mr Kohl made a commitment towards eventually abandoning the D-Mark – without securing agreement for anything approaching political union across what would become a unified European currency area.

Mr Kohl and his advisers have been taken aback by the emotional German debate over the consequences of Maastricht. While keeping to his overall pro-European rhetoric, the chancellor is now likely to use every means available to ensure that the hurdles for proceeding to monetary union will be as tough as possible.

The decisive factor will be whether the Bonn government makes a success of the economic integration of the two parts of Germany. The large fiscal deficits caused by the need for enormous public sector transfers from west to east Germany will be neither politically nor economically tenable for much longer.

If the Bundesbank is called upon semi-permanently to bear too large a share of the burden of keeping inflation under control, prolonged high German interest rates may lead to several years of slow growth throughout the whole of Europe. Even the few EC countries that are trying hard to keep their budget deficits under control would then find it difficult to achieve the targets set down at Maastricht.

Mr Kohl always stresses that German unity and European unity are "two sides of the same coin". Now, both sides of the coin are starting to look tarnished at once. The German chancellor bears the main responsibility for seeking to restore the shine.

Safety first

"I HAVE a great capacity for resisting imperatives," President François Mitterrand quipped at the height of the French political crisis last week. In the event, the imperatives proved too strong even for as inventive a political acrobat as Mr Mitterrand. However much the President may have disliked it, the replacement of the outspoken and unpopular Mrs Edith Cresson could hardly have been avoided after the disastrous performance of the Socialist Party in the regional elections.

Mr Mitterrand's hesitations in choosing her successor are more understandable. No doubt, he would have preferred to have nominated Mr Jacques Delors, the European Commission President. That would have provided the government with the new blood it desperately needs, while in no way undermining its image of economic rectitude. However, with an eye on his own presidential ambitions in 1995, Mr Delors understandably declined to be associated with a discredited regime.

The President's eventual choice as new Prime Minister, Mr Pierre Bérégovoy, has a justified reputation as a successful manager of the French economy. Thanks to rigorous fiscal policies, he has brought down inflation to 3 per cent, lower than that of any of France's European Community partners, while achieving a growth rate still expected to reach about 2 per cent this year. But whereas he is certainly the businessman's and financial markets' choice, it is doubtful whether he can turn himself into a really popular leader, able to reverse the anti-Socialist trend, before next year's parliamentary elections.

That task will be made all the more difficult by the fact that he has little room for manoeuvre. Mrs Cresson's controversial personality was not the only reason for her government's unpopularity. Her administration was, above all, identified with high unemployment, well above the European average at nearly 10 per cent, ironically the result of Mr Bérégovoy's policies and not her own. To find an effective solution to this and other social problems, while maintaining a tight fiscal and monetary stance aimed at reducing inflation and keeping the franc stable in the European exchange rate mechanism, will tax the new Prime Minister's economic management skills.

No radical change of direction can therefore be expected from Mr Bérégovoy, who remains in overall charge of economic policy, as underlined by the cosmetic appointment of a much younger, but economically inexperienced, new Finance Minister, Mr Michel Sapin. The attempt to balance the Socialist old guard with less conventional government ministers such as Mr Jack Lang and Mr Bernard Tapie, the flamboyant entrepreneur, is unlikely to do much, if anything, to enhance the government's credibility.

The underlying reason for the present regime's lack of support resides in the erosion of confidence in President Mitterrand himself, now in his 11th year of office. Unless Mr Mitterrand goes ahead later this year with planned constitutional reforms which will reduce the presidential term from seven to five years, and apply the new rules to himself, it seems improbable that, even with a reshuffled government, the Socialists can turn the tide.

Tenants squeezed

A GROWING number of tenants in England, among them companies both large and small, is falling foul of a law governing the assignment of leases on properties. During the recession the law is causing arbitrary injustice which ought to be remedied by the next government. Under English, but not Scottish, law a tenant can be held liable for unpaid rent owed by any subsequent tenant to whom the lease is assigned.

In more prosperous times this caused few difficulties because tenants were generally able to keep up rental payments and landlords could easily find new tenants. Now, the recession in the UK property market has made it easier for tenants to negotiate a rent "holiday" or leases shorter than the standard 25 years. But it has also pushed more and more businesses into difficulty, and landlords have increasingly enforced the liability clause. For example, a retired grocery shop owner received a demand for more than £50,000 six years after selling his business. A larger company which leased offices in central London between 1985 and 1987 at a rent of £355,000 a year was faced with a claim of £800,000.

The institutions which invest in property argue that 25-year leases and assignors' liability clauses are required to guarantee the long-term returns they need to match their long-term obligations. But the absence of this security does not appear to have restrained investors outside England.

Many tenants would prefer an adjustment to rent levels to compensate landlords for any reduction in the attractiveness of rented property as an investment. Rents, unlike the liability clauses, are at least subject to market pressures.

Little can be done to help tenants now facing demands arising from rent defaults. But a fairer balance needs to be established in future. The next government should look urgently at proposals drawn up in 1988 by the Law Commission.

The commission called for tenants' liability to end when they assign a lease to their successors, although in certain circumstances a landlord would be able to seek guarantees for his immediate successor. This might lead to landlords making more frequent use of their right to reject a potential assignee, which could appear to reduce the flexibility of the property market. But 25-year leases with a continuing liability are even more powerful restraints on market flexibility.

The demands of fairness and the economic benefits of making the property market more responsive to the needs of tenants both argue for speedy action to change the law.

So far, so good – but so fragile

There are hopes for Russia's economic progress, but only a few, writes John Lloyd

The progress of Russian economic reform is as fragile as the first strand of a spider's web. It can so easily be destroyed, and perhaps will be as early as this week, when the Sixth Congress of Russian Peoples' deputies meets to debate where Russia now stands.

The announcement last week of a $24bn aid package from the Group of Seven countries was timed to bolster reform with proof of western intentions: "a decisive signal of political and economic support", according to Mr Helmut Kohl, the German chancellor. A signal it is, but not decisive: western aid, even on a large scale, is marginal so long as the economy, and the main actors within it, do not respond to the new climate that the government is struggling to create.

For those, inside and outside Russia who wish for its success, there is little to say that is optimistic. But there are some important signs of hope.

The economic strategists within the Russian cabinet, headed by Mr Yegor Gaidar (now clipped of his finance portfolio), are committed reformers – the first and so far the only group of this kind to emerge from under the rubble of the Soviet Union. However they arrived at their present liberalism, they hold to it strongly – so strongly that even orthodox western economists murmur that they are over-rigid. Unlike earlier economic reformers who could not, or were never given

Privatisation by sale is unpopular: most people see it as the rich or the criminal (no strong distinction is made) getting hold of property

the chance to, reform, they pursue change without falter or excuse.

They have liberalised most of the prices of commodities, and intend to raise energy prices soon, grasping a stinging nettle where previous administrations under Mr Mikhail Gorbachev had only gingerly tugged at it. In so doing, they have established the essential precondition for market relations and cut into the vast "rouble overhang" of unspendable roubles in banks or below the bed.

The Russian Central Bank has stemmed the flow of the automatic credit extended to enterprises – with the result that these latter have racked up more than Rbs800bn of unpaid bills and loans, and are screaming to be bailed out. Mr Gaidar held out for more than two months: "Our policy of restructuring is aimed precisely at denying credits to those who should be thrown on to the market as quickly as possible," he said in a recent interview. He will have to loosen now: credits of between Rbs100bn and Rbs200bn are already agreed for agriculture and industry. But he said last week: "None of this means a retreat."

Last week, the Gaidar team scored a notable success in persuading the International Monetary Fund's executive board to admit Russia into membership with a quota of 3 per cent, thus allowing it to borrow up to $4bn when it becomes a member – probably at the end of this month. The IMF had been originally minded to keep them to a level of 2.5 per cent, and the extra half a percentage point means much in terms of prestige, if less in terms of resources.

Most importantly for their own survival, they have so far had the solid support of Mr Boris Yeltsin, the Russian president and the central prop of its politics – a support he repeated yesterday in a speech to followers.

Mr Yeltsin is always described as a populist: certainly, he is piling the pressure on his cabinet to deliver something tangible in the way of a better life. But, so far, he has not criticised them in public: in contrast, he has openly patronised his carping, nationalist-inclined deputy, Mr Alexander Rutskoi, who had set himself up as a foe of "Gaidarism".

So far, so good: but so good, so precarious. The indicators remain stubbornly awful. The government's own forecasting unit expects production to drop further, between 25 and 30 per cent this year: oil production to go down by 14 per cent, or 64m tonnes. Mr Gaidar himself predicts 6m unemployed in the same period. The forecasting unit expects prices to go up by 10 or 11 times by the end of this year over the previous one. Hard currency of about $20bn has fled the country, leaving the Russian government – and the other post-Soviet states – with almost none. Western bankers and governments are resigned to not receiving any of the principal due on the $70bn foreign debt of the former Soviet Union for up to a decade – and are presently not receiving any interest, either.

The nature of the crisis, however, is deeper than that: it is embedded in the structure of the society and the economy which the Russian government, like its counterparts all over the former Soviet empire, have inherited. Here, little has been done – either in the six years of Mr Gorbachev's *perestroika*, or in the three months of an independent Russian power.

The banks and the fledgling stock markets (on which very few stocks are traded) remain hopelessly weak and dependent. Only some 20 banks are licensed to conduct foreign currency transactions and do so in (by international standards) small volumes. Roubles can be converted into hard currency and vice versa at market rates – but only at certain times, and in certain places. Even internal convertibility seems a distant dream.

Nearly all property remains a monopoly of one or other level of the state. Privatisation is barely started: so far it generally comprises managers or workers or both together taking over the assets of the enterprise or shop in which they work with or without the permission of the nominal authorities. Mrs Elena Kotova, head of privatisation at Moscow City Council, resigned earlier this week, saying: "It was pointless simply rubber stamping this process and calling it privatisation."

Privatisation by sale is unpopular: most people see it as the rich or the criminal (no strong distinction is made) getting their hands on property – indisputably true, in the short run. Thus the voices against the creation of capitalists are strong, and take on increasing moral force: Dr Boris Kurashvili, a juridical expert, told a meeting of the Russian Academy of Sciences last week that "the basis of a market economy must be collective enterprises – for which state property should be transferred to the workers". It will take a lot of political will to push through genuine privatisation, and to face down the complaints of the majority of non-owners.

However, no one believes that the large companies, responsible for the bulk of production, will soon be privatised on any system: and the heads of these – as Mr Gaidar noted – stubbornly refuse to act in a market fashion. They have very large inventories on which they have put very high prices: rather than pull down their prices to get sales, they sit on the inventories and beg for cash.

"They do not believe the present economic reform will last," says Mr Alexander Ruptsov, a consultant and member of the newly created Presidential Council of Entrepreneurs. "They just carry on in the old way. If this goes on for just a little longer, there will be huge redundancies."

The manoeuvres the government is now making have been forced upon it by an unbeatable coalition of forces. Powerful voices, which claim still to support the government and whose support it needs, have been raised in the past week to say: enough.

Mr Arkady Volsky, head of the Russian Union of Industrialists and Professor Yevgeny Yasin, his chief economist, have both made clear that more credit must be made available to their members. Mr Yeltsin, who has long tried to get Mr Volsky inside his tent but has so far failed, had to take heed: Mr Gaidar, against his wishes, had to relax his severity.

This may be no more than a sensible manoeuvre in the face of opposition which cannot be faced down and social consequences which cannot be tolerated. Or it may be the first slither on a slope which spirals down to hyperinflation and industrial stasis. In either case, the view that market reform is a long drawn-out affair, during which a step forward will be succeeded by a stride backwards, is becoming common currency between the ever-widening circle of western experts and the reformers.

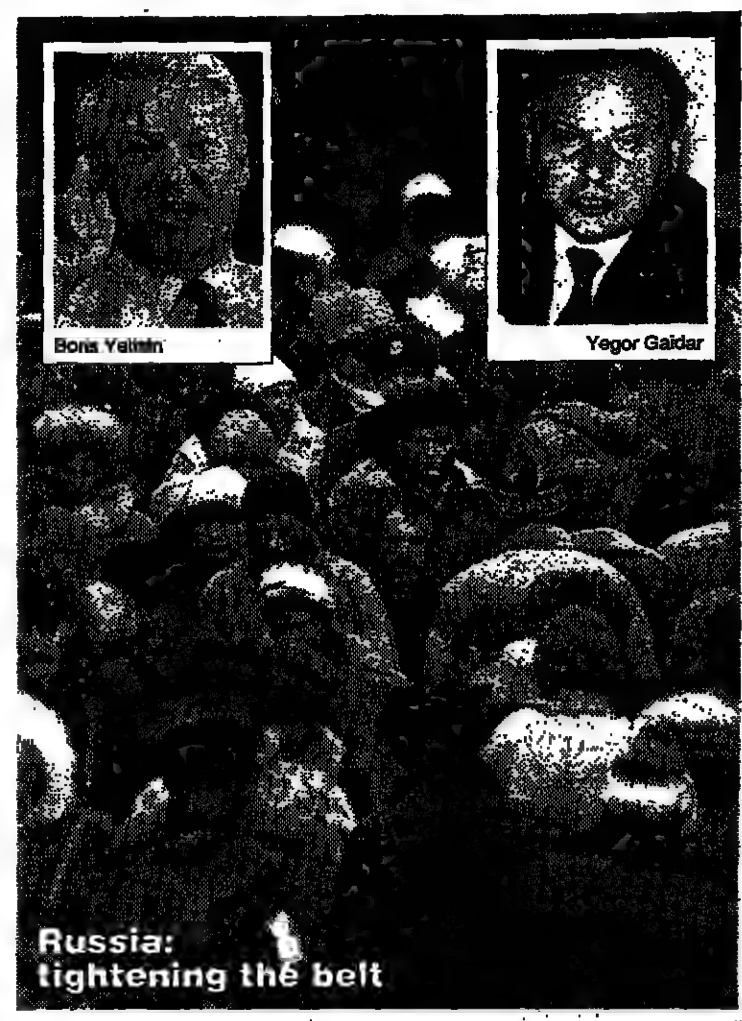
"Don't take the market too seriously: none of us in the west do" is the (rather confusing) message now being insinuated into the policy debate, most recently by a group of distinguished social scientists who spent many hours with the senior figures in the Russian government. The problem, say the western experts in their hotel dining rooms in the evenings, is that these people do not know real markets, only what the textbooks say.

Finally, the sheer scale of modernisation required by this economy is staggering. Mr David Roche, the director of global strategy at Morgan Stanley International, recently calculated that if a reform programme were not to be abandoned mid-stream for lack of funds (worse than not being attempted), the west would need to supply each year: $18bn-$30bn in direct aid; $15bn-$50bn in rebuilding infrastructure, particularly transport; $35bn-$45bn to the energy industry to stabilise output (especially of oil); $5bn-$15bn on the modernisation of power stations; $5bn-$10bn on agriculture and distribution; $5bn-$10bn on training and welfare payments to the unemployed; and $3bn-$7bn on supplying consumer goods. This excludes money for the cleaning up of the polluted environment, and for rouble stabilisation: the total hovers somewhere between $76bn and $167bn a year.

Utopian? Probably. Having announced $24bn, most politicians in the west will think they have done enough for some time. But, as Mr Roche says, foreign private capital is actually leaving, not coming to, Russia: the failure of Vneshaeconombank, the foreign affairs bank, has cut off any further hard currency loans.

If the west is to stay engaged, the bill will rise: if it does not pay it, say the experts, there will be one or other kind of explosion which will wreck the "common home" of which Mr Gorbachev used to speak in his lyrical moments.

This has echoes of a vast blackmail: "Nice world you've got: pity if the Russians were to wreck it." But they possess the potential to do just that: hence the urgency of their reform's success.



Food production

PRODUCT	AMOUNT	1991	1992 (forecast)
Meat	'000 tonnes	4,933	3,880
Butter	"	722	630
Cheese	"	390	335
Sugar (beet)	"	2,063	2,500
Conserves	Million jars	3,854	3,000
Oil	'000 tonnes	1,116	830
Flour	million tonnes	18.4	19
Cereals	'000 tonnes	2,455	2,050
Fish	"	3,741	3,300

Hard currency imports

PRODUCT	AMOUNT	1991	1992 (forecast)
Meat	'000 tonnes	849	1,086
Butter	"	290	356
Oil	"	696	980
Refined sugar	"	3,000	3,779
Medicines	$m	2,151	1,242

Source: Russian government forecasts

The changing fax of life

Michiyo Nakamoto on an industry's strategic shift

It is already late in the evening and you have only just finished putting together the action plan for tomorrow's annual meeting. Branch managers scattered throughout the country are waiting anxiously for their copies to be faxed to them.

No need to panic. Just call up the national branch map on your computer screen and press the auto-dialling button. Within minutes your managers will have easy-to-read plain paper copies of the crucial document on their desks, complete with colour graphs.

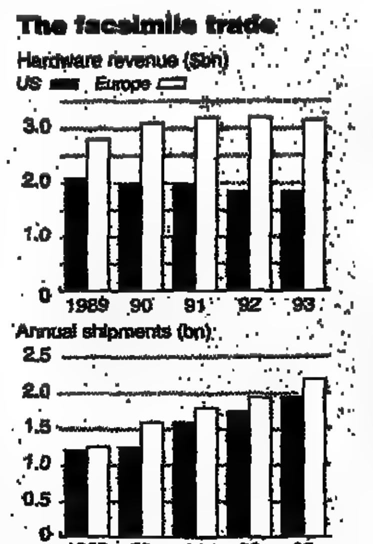
Such technology is one example of a new wave of fax products aimed at integrating the machine into office and home electronics.

For the fax industry, the success of the new generation is a matter of survival. Like other areas of electronics the fax is suffering from stagnant growth. The US and Japanese markets peaked in 1990, and the UK also faces saturation. All British companies with more than 1,000 employees and 70 per cent of those with fewer than 100 had faxes by 1990, according to market research company BIS Strategic Decisions.

Saturation of markets has combined with intense competition and recession to prompt a price war. A basic fax machine which cost businesses £4,000 in 1986 can now be bought for about £400, says Mr Tomio Komine, general manager of the fax marketing department at Canon in the UK.

"Prices have been dropping like crazy," says Mr Jeffrey Goldberg, industry analyst at Dataquest, the market research company. "Nobody's making money from fax machines as far as I can tell."

Not surprisingly, there have been casualties. In Europe, Alcatel, the leading French telecommunications group, recently announced that it would stop making fax machines at its own factories because of the fall in prices and margins.



Alcatel's withdrawal leaves the industry even more concentrated in Japanese hands. The largest manufacturers of fax machines are all Japanese, with Canon, Matsushita, Sharp and Ricoh achieving the largest international sales. Even Xerox, the US company which brought the world the first commercial fax machine, manufactures its faxes almost entirely through Fuji Xerox, its Japanese subsidiary.

But the Japanese, too, are now suffering. Their response has been to invest heavily to develop products with sufficient advantages over older models to spark demand and justify premium prices.

The greatest hope over the next few years lies in plain paper faxes, which use ink jet sprays or laser-printed normal paper rather than the shiny, flimsy thermal paper which is universally disliked. BIS expects annual sales of plain paper faxes in the US to grow from $28bn in 1990 to $93bn this year.

However, prices of plain paper machines are expected to fall sharply by the end of this year as more vendors introduce competing models. The price of a top-of-the-range machine, for example, is forecast to drop from about $2,500 to $2,000, according to BIS.

Multi-functional fax machines – integrated with printers, scanners and photocopiers – also hold out the hope of better profits.

The growing trend to integrate the fax with the PC, however, could represent a threat to all stand-alone faxes and their manufacturers. The fall in prices of PC modems, which enable PC users to send faxes straight off their computer screens, has accelerated the development of such rival systems. "As more and more people become computer literate, they will want to avoid the inconvenience of having to stand up from their terminal," says Jennie Lewis, senior analyst at BIS.

If the shift to integration takes off, the fax industry could be looking increasingly at the non-business user for growth. The combined fax and answering machine is likely to be the main spur to home demand. Manufacturers also talk of integrating a fax capability in mobile phones in the future.

In Japan, where machines small enough to fit under the telephone are becoming popular, it is fashionable to have a fax machine at home. Japanese schoolchildren are already sending homework to each other via the fax.

The popularity among younger consumers could spread if Swatch, the Swiss group that makes "disposable" watches, comes out with a fax machine, as promised.

There are already signs that prices of household fax machines are falling even before the residential market has fully developed. If, as expected, such price cuts materialise,

the fax-cum-answering machine could rival the videophone as the next yuppie gadget.

Joe Rogaly

Pride may wreck any honourable intentions

Considering what minority Labour governments have done to the Liberals on four previous occasions, Mr Paddy Ashdown is quite right to insist that a ring be placed on his finger before it is done again. There is just one small problem. He may not be asked.

The leader of the Liberal Democrats may be ignored even if the result of Britain's general election turns out to be as the opinion polls predict. The prospect is of a parliament in which Labour holds just over 300 seats, with the Conservatives in the 290s. Half the remaining 50 seats would be in the Liberal Democrats' hands. In such circumstances a shameless Mr Neil Kinnock could form a a minority Labour government. He could write a Queen's Speech that was a model of moderation. It could promise a devolved assembly for Scotland, plus hints of other constitutional reforms, short of PR for the Commons. Labour could then dare the other parties to vote it out. The chances are that they would not.

Of course the electorate could yet surprise us all. The Tories might win the largest number of seats – say, 315-plus. That is a mere handful short of 326, an overall majority. The Conservatives could then try to govern with Ulster unionist support. They would stand a chance, for a while.

We can contemplate such an historic event if and when it takes place. For the moment it is more pertinent to follow the polls. They say hung parliament, Labour ahead. There have been four hung parliaments during this century – in 1924, 1929-31, 1974 and 1976-79. In each case minority Labour administrations have made use of the Liberals in order to gain a temporary hold on power, then walked away. None of the governments thus shored up performed well. The most recent of them, the Lib-Lab pact administration under the then Mr James Callaghan, was probably the most disastrous we have ever had to endure.

Mr Ashdown's current line, rehearsed again on television yesterday, is therefore understandable, if cheeky. He would not wish to sustain a Labour government under Mr Kinnock merely to be given the order of the boot once the liaison had served its purpose. That would be foolish. A mere Lib-Lab pact would leave the power of calling the subsequent election in Mr Kinnock's hands. He could wait for the opportunity, spring his trap, and return from a second campaign with a thumping majority and no need to offer the smaller party so much as a cup of tea.

Part of the rest of Mr Ashdown's argument makes sense. Part of it is bunk. The credible part is that a genuine coalition, cemented by an undertaking to legislate for proportional representation, would signal to the markets and everyone else that the new government was here to stay. There would be stability of a sort. The bunkum is the assertion that such an arrangement would be the verdict of the ballot box. Mr Ashdown's fifth of the electorate would be the only segment that could be said consciously to have chosen such an outcome. That is not a verdict. It is an accident of arithmetic.

Labour has made use of the Liberals in order to gain a hold on power, then walked away

Against that, a minority Conservative or Labour government based on 40 per cent or less of the votes cast (and probably 30 per cent if you count abstentions) would not represent the will of the people. It would not be able to claim democratic legitimacy. A coalition could more convincingly do that, provided that neither of the partners had betrayed the general principles that they had avowed during the campaign. Thus a Lib Dem coalition with the Conservatives would be a perversion. One side or the other would have to have lied to the voters. A Lib Dem deal with Labour need not trouble the consciences of either party. On most important areas of policy they are as close as makes no difference; where they are apart there is room for honourable compromise.

Yet Mr Ashdown may have no need to make up his mind whether to enter a proper coalition with Mr Kinnock. The situation may not arise. For it is Mr Kinnock, the increasingly cocky Mr Kinnock, who would have to initiate discussions. Would he do so? Yes, if forced to. If not, I doubt it. It all depends upon how puffed up you think the Labour leader's vision of himself as prime minister will be.

Let us give him the benefit of the doubt and assume that he is aware that all previous quickies with the Liberals have ended in tears. He might then be susceptible to the argument that if Labour wants a decent period in power – say 13 years – it can only do so as a result of a long-term and legitimate alliance with the Lib Dems. On the basis of that argument he eventually accepts electoral reform for the House of Commons even if he wins an overall majority on Thursday.

If you buy this line, the stately progress of the debate inside Labour's ranks becomes another clever piece of Kinnock party management. The policy review, ending in a manifesto that is free from the word "socialism", took three years. The Labour leader set the party up before declaring himself in favour of membership of the European Community. He prepared the party well in advance of his U-turn on unilateral nuclear disarmament. The Plant commission on voting systems could be serving a similar purpose now. It is certainly true that there is a groundswell of Labour opinion in favour of PR, even for the Commons.

My guess is that the latter will fade away if there is a strong Labour showing on Thursday, giving a commanding majority of the seats in the house. For Mr Kinnock is near to bursting with pride at his achievement, even before it is proven. Once he becomes prime minister, he is unlikely to want to share power with another party, whatever the long-term logic of such an arrangement may be.

More to the point, he seems to be telling himself that he can create a grand coalition of the left *within* the Labour movement. You could certainly deduce this from his many references over the past few days to consensus and government so wise that everyone will want to support it. Think about the numbers. Labour needs just a quarter of the Liberal Democrat vote added to its own to command the support of 45 per cent of British voters – enough, if it holds, to sustain smashing majorities in a series of first-past-the-post elections.

There is a lesson for potential prime ministers who are inclined to think that way. It is contained in the history of the past 13 years. Two or three easy victories based on the ideology of a single party do not end happily. Inflated pride is followed by a great fall. The achievements of such an administration may be blown away in the wind. Mr Kinnock *could* seek to deceive the Liberals, representative of at least a fifth of the people, into submission, or he could ignore them. The latter is particularly tempting to those who cannot stomach what they regard as Mr Ashdown's sanctimonious posturing. But neither route will produce a centre-left alliance that could, in the 21st century, match the Conservatives' record of election victories in the 20th.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

US could stall opening of shipping markets

From Mr Michael Everard.

Sir, I hear Ms Margaret S Wigglesworth's message on trade and "free riders" (Letters, April 1) loud and clear. It is, however, important for all serious participants in the General Agreement on Tariffs and Trade services negotiations to lead by example.

One US private services sector – shipping – is certainly not a "steadfast supporter of the Uruguay Round", neither is it "largely open for business". After strenuous industry lobbying, the US government has listed six exemption requests covering shipping, including "any other agreements, laws, regulations, or policies of the United States . . . which pertain to maritime transportation and the operation of merchant vessels . . . existing and future".

British shipping entirely supports Ms Wigglesworth's call for a General Agreement on Trade in Services (Gats) which achieves real market access. This must include both a standstill on new restrictions and the removal of existing ones. But the American example will enshrine the status quo and stall the current strong move to open shipping markets that is already taking place. Shipping is therefore drawn to taking its chances outside the Gats.

Michael Everard,
president,
The Chamber of Shipping,
30-32 St Mary Axe,
London EC3A 8ET

Claim that minimum wage would add 30% to labour costs

From Ms Elizabeth M MacLeod.

With reference to the letter from Stephen Machin and others of the London School of Economics (April 2) we write to tell you that the results of our recent survey of the hotel and catering industry give a completely different picture.

The survey carried out for us by London Economics covered large and small establishments throughout the country and clearly showed that the introduction of a statutory minimum wage of £3.40 per hour in the manner suggested by the Labour party would have the following effects:

- an increase in labour costs of at least 30 per cent, partly because of the need to maintain differentials;
- an increase in prices;
- a reduction in job opportunities and career development openings for young people;
- fewer opportunities for part-timers, especially women.

In these times of recession, surely voters will not want to pay more for food and related services, particularly those with families. Also, they would rather have a job, or even a part-time or casual job, rather than no job at all.

Elizabeth M MacLeod,
personnel and training adviser,
British Hospitality Association,
40 Duke Street,
London W1M 6HR

A confused pay picture

From Mr David Pelly.

Sir, Your leader, "Labour and the trade unions" (March 31), in seeking to comment on the political debate on public sector pay, confuses an already complex picture.

To say that "average pay in the public sector is now higher than in the private sector" is misleading on two counts.

First, "average pay" is a meaningless term in the context of national labour markets covering a huge variety of occupations including top civil servants, nurses, teachers, and cleaners. Second, pay in the public sector is not in any case "higher than the private sector". What we have seen this year is the government implementing review board recommendations for pay increases for certain groups, including nurses and teachers, that have generally been higher than the current level of settlements in the private sector.

However, by focusing on the size of settlements for some groups, you ignore the fact that the level of pay of many public sector workers still seriously lags that of their private sector counterparts. Civil servants are a case in point. As a result of conscious government policy to hold down the pay of civil servants over the last few years their pay has lagged behind. This will inevitably create problems with recruitment and retention and pressure to close the gap again.

The "boom and bust" effects of government policy on public sector pay will only be avoided through a long-term commitment to a fair system of public sector pay determination involving independent pay reviews and national negotiations as appropriate. Public sector pay should not be used as a mechanism for short-term macroeconomic control.

David Pelly,
director of research,
IPMS,
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London SE1 7AQ

Free market and CDs

From Mr Stephen Locke.

Sir, You describe the decision of the Office of Fair Trading not to refer compact disc suppliers to the Monopolies and Mergers Commission as a blow for Consumers' Association ("Inquiry into CD prices ruled out", March 30).

This is an exaggeration. When we first raised the problem of inflated CD prices in the January 1990 issue of Which?, we were not able to point to any specific abuses of competition which might warrant an MMC referral. In particular, we made no allegations about collusion, or scale monopolies, or major barriers to entry. Our main concern was to draw attention to the subject and put pressure on manufacturers and retailers to cut prices in the interests of encouraging and expanding an under-developed market.

After a further two years of price rises and falling production costs, and in the middle of a deep recession, that message is stronger than ever. Vinyl LPs are disappearing fast, leaving a huge gap in the market for the 70 per cent of households which do not yet own a CD player – in many cases because the discs are simply too expensive.

What we seem to have here is straightforward, old-fashioned failure of the free market, and of entrepreneurs to seize what ought to be a profitable opportunity to achieve mass sales of CDs. One interesting parallel is with perfume prices, which after years of tight control by manufacturers are now being cut by a new, aggressive force in the market, Eau-Zone.

If the OFT report does no more than draw attention to this issue, it will have served its purpose well.

Stephen Locke,
director of policy,
Consumers' Association,
4 Marylebone Road,
London NW1 4DX

Issues at stake

From G Imig.

Sir, Your article on the political demise of Gerhard Stoltenberg, Germany's defence minister ("Germany shoots itself in the foot", April 1), is surprising. Several issues are at stake. First, a senior minister in the federal government has not obeyed the will of parliament concerning the supply of the balance of 15 tanks to Turkey.

This is apparently the second time that this has happened. Is it not welcome that a minister, admittedly after long delay, has finally taken political responsibility for his ministry's action or lack of action?

The second issue is why it is wrong to condemn Iraq for dealing with the Kurdish problem but right for Turkey to do the same.

Third, the whole issue has nothing to do with the question of coalition government.

G Imig,
58 Borough High Street,
London SE1 1XF

OBSERVER

Talking point

■ There's nothing like a lender knocking on the door to encourage secretive entrepreneurs to open up a bit. Take Canada's Reichmann brothers whose family firm, Olympia & York, now famously needs help from its creditors.

The brothers always used to keep their cards close to their chests despite retaining high-powered public-relations advisers. They include Sir Tim Bell's Lowe Bell Communications in the UK, and Peter Rosenthal of Manhattan's Howard J Rubenstein Associates in North America, with Canada's Paul Costello also active at the Toronto hq.

Suddenly, however, there are signs of change. Last Thursday alone O&Y issued three press releases about its financial affairs, and the Reichmanns will bare more secrets to bankers due in Toronto on April 13 to hear O&Y's debt-restructuring proposals. There's even talk of background briefings for the media after the meeting.

Reasons for the change may include the arrival at O&Y of ex-president of Manufacturers Hanover Tom Johnson, and former Chrysler vice-chairman Steve Miller now a partner at New York investment bank James D Wolfensohn. Among titbits emerging from the new regime is that these days decisions are taken collectively by Johnson, Miller, and Paul and Albert Reichmann.

Loggerheads

■ Clearly one of the few points of agreement between Liffe and LTOM, London's recently-married futures and equity options exchanges, was to skip the honeymoon.

With the pre-nuptial aggro far from over, voting takes place this week for six LTOM members to join the Liffe board. Liffe, privately dismayed at the presence among the 13 nominees of five members from the old LTOM board, fears the arrival of an equity options pressure group.

The options boys having failed to secure a managing director to fight their corner, are continuing the war by other means.

Indeed, there are some surprising candidates, not least Gerald Freedman. His Smith New Court refused to take on market-making obligations, so showing less than total commitment to the new venture even if, as he protests, it is still one of the most active players on the floor.

Other candidates vaunt their intimate association with the market since its inception - hardly the most promising qualification for candidacy given LTOM's miserable failure hitherto.

The old LTOM was a cosy club, lining the pockets of a favoured few while the creation of a thriving competitive equity options exchange went by the board. Liffe thinks too many old faces might seek to justify that past.

Instead of arguing about who "really understands equity options" - a claim that could be premature for either side - the unhappy couple might consider generating some togetherness out on the road, selling what most other countries have found to be an eminently saleable product.

Tie broken

■ "I'm not going to waste time scouring 16th century poetry." So snorts chartered accountant J L Mapley in riposte to Observer's tie-breaking question, printed last Monday, to decide which of the 62 all-correct entrants to the previous week's numeracy-style quiz should receive the prize bottle of malt whisky.

"I'll be glad when the election's over and we can get on with the recession"

The tie-breaker had two parts. The first was to show how an old problem – which number when added to one seventh of itself equals 19? – would have been solved by pre-algebraic methods such as the so-called "way of falsehood". Part two asked which 16th-17th century English poet hinted he understood the then new algebra, and in which poem.

The reason for the switch to matters literary was the pusillanimous one that, as the 62 previous winners were evidently all numerate enough to solve any calculating problem, something different was needed to break the tie.

Fortunately most of the 20 of them who (along with a dozen other readers) had a go at the decider, did not resent the switch.

As for the tie-breaker itself, everyone solved the first part, reaching the answer 16⅝. But part two produced a dilemma.

It asked specifically for the name of a "16th-17th century" English poet: i.e. one who lived across the turn of those two centuries. That rules out solely 17th century poets such as Samuel Butler, cited by five entrants, and solely 16th century versifiers including Robert Recorde, cited by two.

The answer Observer had in mind, and to which the clue was the phrase "the way of falsehood", was John Donne in Woman's Constancy.

In it, he runs through various specious reasons his lover might voice for ditching him. And one of them is that, since the truth is that she always intended to be false to him, she might say she "can have no way but falsehood to be true." He then goes on:

Vaine lunatique, against these scapes I could
"Dispute, and conquer, if I would...

In other words, he can prove that falsehood is not the only way to the truth, because he knows how to use the way of algebra.

Alas, although eight entrants named Donne, nobody cited that particular work. Even so, three of the previously all correct 62 cited another poem called variously The Second Anniversarie, Of the Progresse of the Soule, and An Anatomie of the World, which refers to "quantities" in a way that strikes Observer's untutored mind as basically algebraic.

So a bottle of malt each goes to those three: Dick Saunders of HM Treasury, L Reich of Manchester, and the banking and capital markets team at Baring Brothers.

Short answer

■ Why does Germany's economics minister Jürgen Möllemann insist he is not just being stuffy in refusing to call the former Soviet Union the Commonwealth of Independent States?

"The countries have very little in common, and have absolutely no wealth," he says.

FINANCIAL TIMES
Monday April 6 1992

Polls point to "hung parliament" as Tories attack devolution

Major warns of UK break-up

By Philip Stephens, Political Editor

MR JOHN Major, the UK prime minister, sought to pull back his government from the verge of defeat in Thursday's general election with a stark warning yesterday that anything but a victory for the ruling Conservatives would threaten the break-up of the United Kingdom.

As the opinion polls suggested that the opposition Labour party would emerge as the largest party in a "hung" parliament – where no single party commands an overall majority at Westminster – Mr Paddy Ashdown, leader of the centrist Liberal Democrats, hardened his terms for a deal with a minority government headed by Mr Neil Kinnock, the Labour leader.

Mr Ashdown admitted, however, that his uncompromising insistence that a coalition government – with cabinet posts for his party – should legislate immediately to introduce proportional representation had created tensions with some of his colleagues.

Mr Major's intervention, based on the plans of the two opposition parties for Scottish devolution and closer European integration, was his most strident of the campaign. He told a London rally that what was at stake in the election was "the birthright" of all British citizens. His opponents would allow Scotland to break from the United Kingdom and submerge the sovereignty of Westminster in a united states of Europe. He called on voters to "wake up" to the fact that "the United Kingdom is in danger".

The prime minister insisted he remained confident of an overall majority at the election, suggesting that the opinion polls were misreading the mood among the electorate. But with five out of six polls published yesterday showing a Labour lead, some ministers were ready to concede that the best the Conservatives could hope for was to emerge as the largest party after an inconclusive election.

Mr Kinnock, meanwhile, stepped up his offensive to win over more centre-ground voters by insisting that a majority Labour government would govern by consensus.

While rejecting any post-election deal with Mr Ashdown, Mr Kinnock emphasised again his party's willingness to reform the constitution and to convene a national debate on changes to the voting system. Labour strategists acknowledged that the pledges were directed at "soft" Liberal Democrats supporters who needed to be persuaded that Mr Kinnock was committed to constitutional change.

Labour believes a section of the Liberal Democrat party could be alienated by Mr Ashdown's claims that in any coalition he would expect seats in the cabinet.

Mr Major signalled a determined effort to "squeeze" the third party vote from the opposite direction, warning that a vote for Mr Ashdown would allow Mr Kinnock to gain power.

Drawing on the overwhelming backing that the Conservatives have received from the business community, Mr Major said the choice at the end of this week would be between a government which promised recovery and a socialist party which would deepen the recession.

Election news, Pages 6-8
Joe Rogaly, Page 15

Finland makes cuts in spending to avoid devaluation

By Sara Webb in Stockholm

THE FINNISH government promised yesterday to make significant cuts in spending on the welfare state in an emergency package aimed at avoiding devaluation and preventing a collapse of the centre-right coalition government.

The proposals followed a rise in interest rates and a massive outflow of funds on Friday after Mr Rolf Kullberg, the central bank governor, resigned amid differences with the government over who was to blame for the economic difficulties besetting Finland.

The government confirmed its commitment to low inflation, a stable exchange rate and to defending the external value of the currency in order to prevent a further loss of confidence when the financial markets open again today.

The proposals had the full backing of other Nordic central banks which pledged, if necessary, to support the Finnish markka this week.

The other Nordic countries would probably do this by lending from reserves, the central bank said.

The bank also announced that Ms Sirkka Hämäläinen would take over from Mr Kullberg as central bank governor immediately, not from July 1 as had been originally proposed.

The immediate appointment of Ms Hämäläinen, who has been at the central bank for 30 years, was seen as a further step aimed at calming the financial markets.

After spending the weekend locked in a series emergency meetings, the government announced that it would slash its expenditure by FM10bn ($2.2bn) in 1993, equivalent to 2 per cent of GDP. The cuts should help to keep government spending within the FM 174bn proposed limit for 1993.

The reductions in expenditure have the full backing of the four coalition member parties. The central bank said the measures would reduce the government's level of indebtedness.

Cuts include limits on government funding of municipalities and reductions in state sector pensions, unemployment payments, child benefits and overseas aid.

Ms Hämäläinen said yesterday that, in addition to pledges secured from the central banks in Stockholm, Oslo and Copenhagen, to help support the markka, other European central banks were also discussing the possibility of helping.

The central bank's parliamentary supervisory board has given it permission to borrow up to $5bn in addition to existing reserves in order to support the currency.

The most recent figures from a week ago – before the crisis – show that the Bank of Finland's reserves were about FM 35 bn.

Wary eye on the market, Page 17

Italian prime minister Giulio Andreotti arriving to vote in the general election yesterday

Large protest vote likely as Italians go to the polls

By Robert Graham in Rome and Haig Simonian in Milan

ITALY'S voters went to the polls early and in large numbers yesterday in what is widely regarded as the country's most important general election since 1948.

Against a background of widespread disaffection and a strong protest vote, the ruling Christian Democrats' uncontested hegemony over Italian politics looked at risk last night for the first time in the post-war era.

The election campaign – for the 630 seats in the Chamber of Deputies and 315 in the Senate – saw the ruling Christian Democrats on the defensive with a poor record of recent economic management and their failure to carry out institutional reforms.

Commentators and polls, albeit unreliable, predicted that the governing Christian Democrat-led four-party coalition would lose votes in the north to the populist Lombard League and the small centre-left Republican Party (PRI). In the central regions and in the south, the coalition appeared hard pressed to retain its share of the vote.

The Christian Democrats and their Socialist, Social Democrat (PSDI) and Liberal (PLI) allies held 53 per cent of the vote in the outgoing parliament. If their total vote falls below 49 per cent, it will be impossible for them to form a new government without turning to one of the nine groups that became a loosely defined opposition during the campaign.

The Christian Democrats held 34 per cent of the vote in the last elections in 1987 and, should this fall below 30 per cent, it would be a big psychological blow.

Italians vote along new lines ....Page 2

Yesterday was also the first time Italians had voted without a prominent Communist party. Ms Nilde Iotti, a prominent former communist and president of the Senate, said: "Today's vote is the most important for Italy since 1948."

In an editorial to the readers of La Repubblica, the country's best-selling daily newspaper, Mr Eugenio Scalfari, the editor, said: "Today's vote serves to turn into a minority the majority which has run Italy until now as if it were its own. . . the object of today's vote must be to dismantle the rule of the traditional parties, the 'partitocracy,' in order to free new and uncorrupted energies".

First projected election results were not expected until this afternoon. The polls will remain open until 2pm today. However, past experience has shown that more than 80 per cent of electorate vote on the first day.

The authorities reported few serious incidents marring the voting, but the proceedings were overshadowed by Saturday's brutal Mafia murder of a senior Carabiniere officer in Sicily. His killing appeared timed to remind the authorities of the Mafia's power.

Links between the Mafia and Christian Democrat and Socialist politicians emerged as a important issue during the campaign. The Socialists, who were fighting to retain their 14.3 per cent of the vote, were embarrassed by a corruption scandal in Milan involving a prominent party supporter. This was expected to dent the party's support throughout the north, especially in Milan, a city it has dominated since the war.

The ruling parties' main challenge appeared yesterday to be from the Lombard League and the Republicans.

Deal over escudo to avert run on sterling

Continued from Page 1

switch large volumes of money out of sterling because of nervousness about the possibility of a Labour administration or a hung parliament.

Officials from the 12 European Community nations took eight hours on Saturday to agree a central rate for the escudo of 178.735 to the European currency unit, and 86.94 against the D-Mark. Lisbon had wanted rates of 180 escudos to the Ecu and 87.6 to the D-Mark.

The agreement was designed to meet the concerns of Britain and other EC nations that a lower rate could mean the escudo rose rapidly to the top of its allotted ERM band.

Even though the escudo is relatively lightly traded, such a development could put pressure on other currencies in the system – particularly the pound, which is the weakest ERM member.

The escudo's entry into the ERM will mean all 12 EC nations except Greece have their currencies pegged to each other around set limits tied to the D-Mark. The system is designed to damp inflation by restricting currency depreciation.

The escudo, like the pound and the Spanish peseta, will fluctuate in a wide, 6 per cent band. The other currencies have narrow, 2.25 per cent bands.

Officials at Saturday's meeting said Portugal's suggested rate had been altered in the interest of the overall stability of the ERM grid.

Officials from three member states acknowledged that the main concern was the possible effect on sterling, because of the escudo's close relation with the peseta, against which the pound is at the bottom of its fluctuation limit.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	F	10	50	Frankfurt	S	8	46	Madrid	S	13	55	Nicosia	S	28	82	Tenerife	C	19	66
				Brussels	F	8	46	Geneva	R	5	41	Majorca	F	14	57	Oporto	S	14	57	Tokyo	R	12	54
				Budapest	F	19	66	Gibraltar	S	18	64	Malaga	F	17	63	Oslo	R	4	39	Toronto †	S	-2	28
Ajaccio	F	15	59	Buenos Aires	R	21	69	Glasgow	F	8	46	Malta	S	20	68	Prague	R	5	41	Tunis	S	20	68
Algiers	C	17	63	Cairo	S	25	77	Helsinki	C	5	41	Manila	F	36	97	Reykjavik	C	1	34	Valencia	R	14	57
Amsterdam	C	8	46	Cape Town		–	–	Hong Kong	R	19	66	Melbourne	R	23	73	Rhodes	S	19	66	Venice	R	12	54
Athens	S	18	64	Caracas	F	29	84	Innsbruck	R	8	46	Mexico City	C	25	77	Rio de Janeiro	F	34	93	Vienna	R	11	52
Bahrain	S	26	79	Casablanca †	C	15	59	Inverness	F	9	48	Miami †	S	14	57	Rome	F	16	61	Warsaw	C	10	50
Bangkok	F	37	99	Chicago †	S	-2	28	Islamabad	C	19	66	Milan	R	11	52	Salzburg	R	8	46	Washington †	S	4	39
Barcelona	F	14	57	Cologne	F	8	46	Istanbul	S	18	64	Montreal †	R	0	32	S'Francisco †	S	9	48	Zurich	R	2	36
Beijing	R	13	55	Copenhagen	R	4	39	Jakarta	R	32	90	Moscow	F	10	50	Seoul	S	21	70				
Beirut	S	17	63	Corfu	F	18	64	Johannesburg		–	–	Munich	R	5	41	Singapore	F	30	86				
Belfast	F	8	46	Dallas †		–	–	Lima		–	–	Nairobi		–	–	Stockholm	Sn	1	34				
Belgrade	C	21	70	Dublin	C	9	48	Lisbon	S	14	57	Naples	F	17	63	Strasbourg	F	8	46				
Berlin	C	6	43	Dubrovnik		–	–	London	S	12	54	Nassau	C	27	81	Sydney	F	24	75				
Biarritz	F	10	50	Edinburgh	S	9	48	Los Angeles †	C	17	63	New Delhi	S	31	88	Taipei	C	22	72				
Bombay	S	29	84	Faro	S	18	64	Luxembourg	S	8	46	New York †	S	4	39	Tangier		–	–				
Bordeaux	S	11	52	Florence	R	13	55	Madeira	C	16	61	Nice	R	11	52	Tel Aviv	S	21	70				

Temperatures at midday yesterday
† noon GMT temperatures
C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

Farewell to all that

By Anthony Harris

A WEEK from today we will have a new government, or a set of negotiations leading to one; and this column will have changed its address. Lex will resume its traditional Monday thoughts while this weekly dose will be found in the financial pages, with a somewhat narrower focus. It seems a good moment for a look back at the 16 months which made this column seem so gloomy.

The markets in London looked quite strong, and the financial authorities were still keeping up a complacent front. Distance sometimes lends clarity to the view, though: the signs of strain and debt were visible enough to anyone who had seen a property disaster close up in Texas, or examined in the American savings banks the mud-strewn wreckage which comes to view when a financial tidal wave recedes.

But not in the UK, I was told. British banks were thought to have kept clear of the worst excesses of property lending. Sterling was safely pegged into a low inflation system, and interest rates were coming down. Even now, one can argue that the UK suffered as much from bad luck as from bad official judgment.

It was hard to foresee what a financial mess the Germans were going to make of reunification, and that real interest rates would therefore remain stranded at such a punishing height.

The supervisory disasters – mainly, of course, BCCI – are the exceptions to a reasonable record. Ordinary savers and investors still trust British markets and institutions, which is much more than can be said in the US or in Tokyo, to name but two.

However, it is no good getting the details right if you get the big picture wrong. Both the authorities and the markets took ridiculously long to realise that debt deflation is not just an ordinary recession. Official forecasts of recovery were regarded simply as premature rather than wrong. But they damaged everyone who believed them – especially the ministers (who are now scarcely on speaking terms with their advisers).

Yet the truth was being proclaimed not just by a handful of possibly eccentric columnists and letter-writers to The Times. It was grasped early on by the US Federal Reserve. The endless warnings of its chairman, Mr Alan Greenspan, about a private sector credit crunch must surely have been heard in Basle as well as on Capitol Hill.

The Fed has also shown that in the right circumstances, this problem can be addressed through sufficiently determined easing of monetary policy. These include a hyper-competitive exchange rate, and help from regions and close trade partners which have reached the far side of financial disaster.

The British authorities cannot took for similar help. A really stimulative exchange rate is not available within the ERM, even with a realignment, should that come.

The main depression is around London, but no British region is in any condition to play the role of Texas and

Even now, one can argue that we suffered as much from bad luck as from bad official judgment.

its neighbours in leading the US recovery. Britain's potential east European partners are barely at the beginning of the road Mexico and Argentina have travelled to reach economic break-out.

British policy has had one triumph, though at a dreadful, unforeseen cost. Inflation, above all cost inflation, really does seem to be under control at last. Joseph Schumpeter, who argued that the destruction wrought by economic depressions is a creative process, would have felt vindicated. He might have found further confirmation among the more successful survivors in the British corporate sector, which are still achieving efficiency through creative destruction. (Not enough, though, to support the ridiculous profit forecasts which were holding up the market not so long ago.)

However, the markets, which ignored the bad news for so long, now ignore the good. They have at length understood that inflation is being checked at the expense of profits, rather than to their benefit; but they still worry that the usual suspects – wage pressure, excessive public borrowing, or interest rates which are "too low" – are lurking in the scrub, waiting to ignite inflation again. That is the message of the long bond markets.

Yet the US offers living proof that, when financial confidence is low, not even a combination of currency depreciation, permissive monetary policy and uncontrolled government borrowing can prevent inflation subsiding.

The danger to the economy and to profits lies rather in falling prices – obviously in the property market, less obviously in commodities and many goods and services. It is deflation which is undermining bank balance sheets, raising the cost of financial intermediation when demand is weak and eroding government revenues.

This process means that most new borrowing – whether by governments, companies or consumers – is really distress borrowing. All these borrowers are therefore driven to cut their spending further.

It is time, in short, to brush up your Keynes. The Maastricht treaty will probably prevent the UK for some time from joining the revived fashion for Keynesian anti-recession policies; that is the penalty of joining the country's fortunes with a group of economies which have avoided the disasters of Anglo-Saxon lending excess.

So Britain is likely to wait for some time yet for recovery, and not just because of the need for the other Europeans to focus their thoughts on recession. Growth may still be difficult to arrange until the markets stop worrying about the troubles of the 1980s.

The Japanese market is being rather more logical than the UK's. The realisation that growth will be at best sluggish has destroyed the rationale of traditional Japanese yields. The adjustment may look panicky, but makes more sense than the many circulars I still read arguing that British equities are cheap because high payouts are still being contrived – for the time being.

But even in bad times, there are always opportunities for the wise investor. For the immediate future, and perhaps quite a long future, these are likely to be found only in exceptional equities, but widely in the vast supply of bonds which will be issued in the next few years.

These raffishly volatile markets will demand all the usual arts of timing and selection. These are some of the problems I will try to explore in the bond pages.

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FINANCIAL TIMES
COMPANIES & MARKETS

Monday April 6 1992

INSIDE

Softly, softly towards US recovery

Americans, says Ms Nancy Kimelman, chief economist of the technical data division of Thomson Financial Services in Boston, want their recessions over quickly and their recoveries "to be as instant as oatmeal. Well, instant oatmeal tastes like mush. A period of stability is healthy." Her message is in line with top US bankers and businessman who expect economic recovery to be gradual and meagre. Page 20

SAS charts a joint course

Faced with deregulation in his domestic market of Sweden and broader liberalisation in Europe, Mr Jan Carlzon (left), chief executive of Scandinavian Airlines System (SAS), has been scrambling to expand ties with other carriers. But his ultimate target continues to be full-blown merger with a European airline to enable SAS to establish a stronger position in Europe. Page 19

Swaps leave a nasty taste

UK local authorities are not exactly flavour of the month with the international banking community. Since the the House of Lords ruled that authorities were acting outside their legal powers in entering swap agreements, and so were not obliged to meet their losses — many foreign banks will no longer do business with them. One result: wider lending margins for the banks. Page 21

Changes at SHT bear fruit

In the 1980s Scottish Heritable Trust say its varied spread of companies — from carpet making in India to Scottish tenement flats, from lime quarries in Texas to firework manufacture in Yorkshire — as a safeguard against a downturn in any sector. But 1990 losses of £15.89m ($27.17m) brought an urgent reappraisal and the early fruit of the new approach was seen last week when the preliminary 1991 results showed a pre-tax loss down significantly to £790,000. Page 18

Buyers found for Muddy Fox

Muddy Fox, the privately-owned UK mountain bike producer, has been bought out of administrative receivership by Sitac, a UK-based engineering and property group, and TI Cycles of India for an undisclosed but substantial sum.

BAe poised for deal with Saudis

By David White, Defence Correspondent

BRITISH AEROSPACE expects a contract within weeks to supply additional Tornado bombers to Saudi Arabia, following a £1.5bn ($2.6bn) cash injection into the Saudi programme for buying UK arms and defence services.

Mr John Major, UK prime minister, said at the weekend Saudi Arabia's King Fahd had decided to make the extra funding available. "This is the event that we've been waiting for," said a spokesman for BAe, prime contractor for UK supplies under the Al-Yamamah arms agreement between the two countries.

The money is expected to facilitate the signing of contracts worth several billion pounds under the second phase of the agreement. The framework for this second phase was agreed almost four years ago. But, except for three Vosper Thornycroft minehunting vessels, no significant new equipment orders have been placed since then.

Other planned supplies include 48 Tornado jets, about 60 BAe Hawk light fighters, 88 Black Hawk armed helicopters from Westland under licence from Sikorsky of the US, three minehunters, and infrastructure projects including an air base on the edge of Saudi Arabia's Empty Quarter.

Saudi Arabia earmarks 500,000 barrels of oil a day for its UK defence supplies. This is sold by oil companies and the revenue paid into a Saudi account in London, from which the British Ministry of Defence draws down money to pay BAe.

Although this brings in about £2bn a year, the funds have been taken up by the completion of first-phase deliveries, training and support services and construction work on air bases.

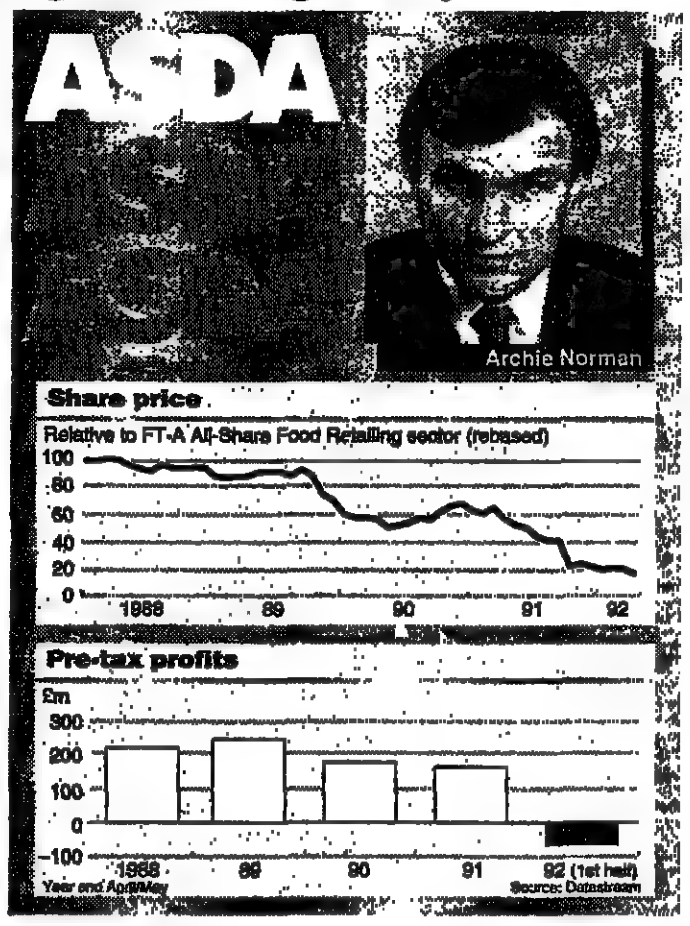
Mr Major said discussions were going on "regarding all kinds of weapon systems" required by Saudi Arabia. Al-Yamamah supplies had topped £10bn so far.

Saudi Arabia injected almost £2bn extra cash into the deal in late 1989, when it also raised by 25 per cent the amount of oil set aside for this purpose.

The Tornados, made in collaboration with Germany and Italy, are believed to be top of the Saudi "wish list". A contract would provide interim work for BAe's Warton factory in Lancashire, where assembly of Tornados for the RAF ends this summer. Production of the European Fighter Aircraft is unlikely before 1994.

John Thornhill reports on the problems facing the UK grocery chain

The battle to breathe new life into Asda



Mr Archie Norman, youthful chief executive of Asda, has few illusions about the scale of problems facing the struggling Yorkshire company which forms the UK's fourth biggest grocery chain.

"We are standing in the way of an avalanche," he says, reflecting on his impressions after three months in the job. "We will lose £250m of sales next year to Tesco and Sainsbury's and we have to change our business comprehensively."

Mr Phil Cox, the new finance director, chips in: "In spite of the recent right issue, we have still got borrowings that are uncomfortably high given how we are trading. We are still shipping water at the moment."

Such comments summarise Asda's dilemmas: first, how to prevent the company's financial leakage stemming from its £650m ($1.12bn) of debt; and, second, how to develop a long-term trading strategy to ensure survival in the competitive grocery market.

It will not be easy, as the fresh-faced team of directors admits. But if they succeed in reviving ... superstores for £705m in 1989, largely financed by short-term borrowings, precipitated a full-blown financial crisis that resulted in a £357m rights issue rescue last October.

The cash infusion eased Asda's financial strains but did not solve them. Mr Cox says Asda cannot trade its way out of its difficulties and suggests the company will have to look for another means of driving down debt.

This may come from the proposed flotation of MFI, the debt-ridden private furniture chain in which Asda retains 25 per cent, or the possible sale of Allied Maples, its home furnishings sub-... cery chain. Mr Norman believes 100 of Asda's more modern superstores can hold their own, although 50 older outlets are trading poorly. About half a dozen are decribed as "walking wounded" which will have to be put out of their misery.

> **'We are a microcosm of the whole grocery industry.'**
>
> *Archie Norman, chief executive*

The Asda team has already taken action to energise its trading fortunes. A price freeze was announced before Christmas to sharpen the company's value-for-money image and Asda claims it is trading at price parity with its rivals, having drifted out of line over the past few years.

The product range is also being reviewed, particularly the viability of Asda's extensive homeware and George clothing ranges (designed by George Davies, erstwhile head of Next). Some homeware products may be shed; even if not they are likely to be reconfigured. "Making people walk into our stores through non-foods gives us a real difficulty," says Mr Norman.

Because of its wide range, Mr Norman says shoppers spend longer in Asda's stores than in rival chains – on average 45 minutes ...

Asda, in conjunction with McKinsey, the management consultants, is agonising over ... ference in London that his company would open a further 100 stores by 1996, spending more ...

Fears over UK election fuel rush for BES tax shelters

By John Authers in London

FEARS that the Labour party could win this week's UK general election fuelled a 59 per cent increase in tax shelter investments via the business expansion scheme (BES), according to provisional figures.

Enterprise zone property investment, on which top-rate tax relief is also available, equalled the returns of 1990-91, in spite of the problems of the commercial property market. But business for the 1991-92 tax year, which ended yesterday, failed to fulfil expectations, thanks to the recession, which reduced the income available for tax shelter.

Provisional estimates from the Allenbridge Group, a large intermediary in the BES and EZ market, are that companies qualifying for top-rate tax relief under the BES took in £407m ($700m) this year, 59 per cent up on last year's £256m, the most taken in one year since the scheme started in 1983-84.

BESt Investment, another intermediary, said investment since the budget had run at more than £5m a day.

A surge in demand during the past two weeks brought the total invested in enterprise zone property trusts to around £160m, roughly the same as last year.

EZ schemes were harmed by the financial difficulties of Olympia & York, which withdrew a scheme to attract £215m last month. Tighter banking practices also dampened demand.

EZ investments are often financed by loans, on which tax relief is available. But this year banks have only accepted around 50 per cent of applications, according to Mr Anthony Yadgaroff, of Allenbridge.

Accountants urged companies ...

COMPANIES AND FINANCE

Norwich Union losses on general insurance rise 81%

By Richard Lapper

NORWICH UNION, the mutually-owned insurer, suffered an 81 per cent increase in pre-tax losses on its general insurance business in 1991, from £147.7m to £267.7m.

Worldwide underwriting losses rose to £297.7m (£175.7m), with most of the damage concentrated in the UK which was hit by rising theft and other recession related claims. UK underwriting losses rose by 65 per cent to £276.7m (£167.6m).

The life business fared better, however. Total premiums expanded 33 per cent to £3.3bn (£2.49bn). Worldwide income from new single premiums rose 43 per cent to £2bn (£1.4bn), fuelled by strong sales of single premium with-profits contracts in the UK. But growth in new annual business was sluggish with premiums up only 1.5 per cent to £238.4m (£234.8m).

Mr Allen Bridgewater, group chief executive, said: "It is absolutely essential to restore our general insurance to profitability as soon as possible."

Last year the group announced sharp increases in premiums – with rates rising by up to 80 per cent for high performance cars, for example. The group is the country's biggest insurer of motor cyclists but last year announced that it would refuse to insure some categories of rider.

Despite the loss, the group still transferred £21m from its general insurance account to its life fund. Although this was less than the £29m paid in 1990, transfers over the last three years have still equalled the dividend income which would have been received if the capital backing general insurance had been invested in a range of ordinary shares, the group pointed out.

General insurance represents about one-third of premium income and an investment of less than 5 per cent of life insurance assets.

With-profit bonus rates levels were set at lower levels

The group is investing greater amounts of its assets into fixed interest investments. It expects "equities to out-perform fixed interest assets by a far smaller margin in future, particularly over the next two years."

Black plans more TV investment

By Raymond Snoddy

MR CONRAD Black, chairman of the Daily Telegraph group, is planning to make further investments in television.

The newspaper group was a member of the losing Daybreak consortium for the commercial breakfast television franchise last year, but has a 5 per cent stake in Carlton Television which won the London weekday franchise.

In the Daily Telegraph's annual report, Mr Black said: "The possibility of further investment in television will be pursued."

The Daily Telegraph has had talks with a number of potential bidders for Channel 5, the new television channel capable of reaching three quarters of the UK population. These include Mr Silvio Berlusconi, the Italian businessman.

The invitation to bid and the precise terms of the Channel 5 licence will be published by the Independent Television Commission later this month.

Mr Black has had talks with Mr Moses Znaimer, the Canadian broadcaster who set up City TV in Toronto. Mr Znaimer is to be chief executive of Five TV, a bidder for the Channel 5 franchise planning to specialise in local news, films and music.

However there is still a considerable degree of scepticism in the Daily Telegraph about whether Channel 5 is a viable financial prospect because the winner will have to pay for the retuning of millions of video recorders and satellite receivers. At present they use the frequencies that Channel 5 will broadcast on and the new channel will cause considerable interference.

Johnston Group slides into losses

By Richard Gourley

JOHNSTON GROUP, the specialist civil and mechanical engineer, has slid into losses, another casualty of over-ambitious 1980s investment in the property sector.

Pre-tax profits collapsed from £5.86m to losses of £1.09m, after a £4.34m exceptional charge covering the write-down on three property developments. Sales were 5 per cent lower at £119.9m.

Losses per share were 14.18p (earnings 30.43p) but the company is to pay a reduced final dividend of 4.5p, giving a total for the year of 9p, down 31 per cent on the previous 13p.

Mr Brian Deller, finance director, said Johnston had now bitten the bullet with the 25 per cent write-down in property values. "Property development served us well in the 1980s until 1988," he said. "We thought it had a great deal of potential but we stayed in too long."

The property diversion blighted a result which was otherwise relatively sound, given the depth of the recession in its markets.

Engineering saw a profit of £1.38m turn into losses of £1.91m on sales that fell 20 per cent. The figure included the cost of redundancies and consolidating a number of companies in single operating units.

Construction and contracting, on the other hand, benefitted from development work done for the water companies. The division increased profits from £1.66m to £2.2m. Construction materials fell slightly to profits of £4.38m.

Sitac and TI India buy Muddy Fox out of receivership

By Andrew Baxter

MUDDY FOX, the UK maker of mountain bikes which is privately-owned, has been bought out of administrative receivership by Sitac, a UK-based engineering and property group, and TI Cycles of India for an undisclosed but substantial amount.

The sale comes less than a month after Touche Ross, the accountants, were appointed as administrative receivers following unspecified financial difficulties at the Wembley-based company.

Yesterday Mr Nick Lyle, partner at Touche Ross and administrative receiver responsible for the sale, said: "Muddy Fox is a classic example of how a basically sound company can be preserved despite receivership."

Sitac and TI Cycles, which is 24 per cent owned by TI Group, the specialist UK engineering company, are buying the assets, trademark and intellectual property of Muddy Fox for what is understood to be "close to a seven-figure sum." Turnover last year was £8.5m.

TI Cycles is one of India's biggest bicycle and engineering groups, but Muddy Fox bikes will continue to be developed and designed in the UK and produced at the company's existing manufacturing sources in the Far East.

The administrative receivership of Muddy Fox prompted around 200 inquiries from potential purchasers, and the UK/Indian combination won through from a shortlist of six.

The new owners said they were looking forward to supplying and supporting the existing network of UK and European customers.

They are also formulating plans for developing the business and are looking to appoint distributors in the UK and Germany, and to develop opportunities in the UK, Europe, North America and Australasia.

Downsize to exist – expand later

Chris Tighe on Scottish Heritable's preparation for turnround

FROM CARPET making in India to Scottish tenement flats, from lime quarries in Texas to firework manufacture in Yorkshire; the interests of York-based mini-conglomerate Scottish Heritable Trust have been nothing if not varied.

In the 1980s, when the banks were keen to lend and expansion was the fashion, SHT saw its wide spread of companies as a safeguard against a downturn in any sector.

But the 1990 results, which showed a loss of £15.9m and gearing of more than 300 per cent on net debt of £66.4m, brought an urgent reappraisal and management changes.

The early fruit of the new approach was seen last week in the 1991 preliminary results, which showed a pre-tax loss down to £792,000, net borrowings reduced to £41m and gearing down to 270 per cent.

Now the new management are pushing against a tight timescale to get borrowings under £10m by the year end, to cut gearing to 100 per cent or less, and to inject a greater logic into the group's activities, as a basis for future profitable growth.

"We have to downsize SHT and then start again," says Mr Brian Shoosmith, an ex-Hawker Siddeley executive who joined SHT as managing director last August.

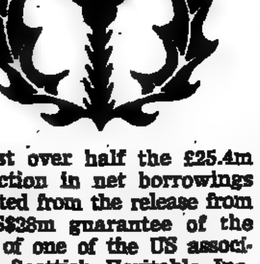
Synergy and debt reduction are at the nub of SHT's divestment philosophy.

At face value, it might seem odd that SHT is contemplating the sale of Standard Fireworks, the dominant UK manufacturer in its sector, and the group's main profit earner. Last year Standard made £3.3m before tax and interest on turnover of £18.7m. But its disposal – discussions on a management buy out are at an advanced stage – would help to substantially reduce borrowings. And, observes Mr Shoosmith: "How do you find synergistic business with a fireworks company?"

The remaining company in the manufacturing division, loss-making Birmingham-based hospital bed manufacturer Hoskins, was sold in February for £1.3m to specialist healthcare company Securetrend.

The further flung extremities of the group's empire are also under review. In India, E Hill and Co, in which SHT has a 74 per cent stake, is being sold to its minority partner. "It's just the problem of trying to run an Indian carpet making business from York," says Mr Shoosmith wryly.

A decline in oriental carpet sales in 1991 contributed to the group's drop in turnover from £118m to £95.5m. The future policy on oriental carpet importing, wholesaling and washing subsidiaries in the UK, France and the US is under consideration.



Just over half the £25.4m reduction in net borrowings resulted from the release from a US$38m guarantee of the debt of one of the US associates, Scottish Heritable Inc. SHT does not have a controlling interest in that company or in its four associated US lime quarries, and hopes eventually to sell its stakes.

Its two wholly owned American housebuilding companies, Haven Homes in Pennsylvania and Fox Ridge Homes in Tennessee, both made good profits and the group intends to retain them. It would like, however, to free itself of its minority stake in North American Housing Corporation.

The other division, property, consists of St James Development Trust, which has a mixed portfolio of land around Britain and some partially developed sites, and Cromdale Holdings, which owns hundreds of tenanted tenement flats in and around Glasgow.

Disposal of part of the St James portfolio is imminent. Once the property market improves, SHT hopes to get out of development completely, but expects to retain Cromdale Holdings.

Mr Shoosmith and SHT's new finance director, Mr Stuart Macdonald, who joined in October, are keenly aware that under their standstill agreement with the banks the amount available drops from £31.5m now to £6m by December; the US facility also falls from $33.5m now to $20m in October.

In the longer term, a much smaller SHT will have to decide on its expansion strategy. But there are more pressing considerations.

"Number one is existence, making sure we do have a future" says Mr Shoosmith. "This is the year of the turn around."

£1.2m increase for Atlas Converting

Without the burden of exceptional charges in 1991, Atlas Converting Equipment has increased its pre-tax profit from £5.51m to £6.67m.

Turnover rose to £48.5m (£38.3m). Margins were maintained on Atlas machines, which accounted for 62 per cent of sales, but reduced profits came from Titan units principally because of the weak US dollar in the first half, and from General Vacuum Equipment where prices were reduced to maintain volume.

Results also included first full figures from Atlas Hurley Moate, where profit was "not at an acceptable level."

There was a small interest charge of £70,000 this year, against income of £631,000. Earnings per share were 55p (45p) and the final dividend is 14p for a total of 21p (19.5p).

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Consortium (France/US)	Unit of LTV (US)	Aerospace & defence	£231m	Bankruptcy rescue plan
Fondiaria (Italy)	AMB (Germany)	Insurance	£198m	Increased stake cements links
SAS (Scandinavia)	Airlines of Britain (UK)	Airlines	£25m	Larger stake strengthens ties
Genesco (US)	Mitre (UK)	Sports goods	£17m	Negotiations advanced, says Grampian
Coplex Resources (Australia)	Tuskar Resources (Ireland)	Oil	£4.4m	Surprise bid
Menvier-Swain (UK)	Componenti Sistimi Antifurto (Italy)	Alarms	£3.8m	Maximum consideration
Rentokil (UK)	Unit of Luwasa (Denmark)	Plants service	£0.7m	Cash deal
Hi-Tec Sports (UK)	Labels (Holland)	Clothing	£0.7	Staged payments
Sidlaw (UK)/Smit International (Holland)	JV	Oil & gas	n/a	Support services venture
PT Riajedson (Indonesia) /Ballarpur Industries (India)	JV	Pulp & Paper	n/a	60-40 split

Source: FT Mergers + Acquisitions International

SAS looks for cupid in Europe's open skies

Sara Webb and Paul Betts on the airline's ultimate aim of a full-blown merger ahead of deregulation

Faced with the prospects of deregulation in his domestic market in Sweden and broader liberalisation in Europe, Mr Jan Carlzon, the chief executive of Scandinavian Airlines System (SAS), has been scrambling to expand his airline's ties with other carriers both on the home and wider European front.

Last week, SAS boosted its stake in Airlines of Britain, the parent company of British Midland, from 24.9 per cent to 40 per cent for £25m ($42.5m) to cement its relationship with the UK carrier which had recently been approached by other international carriers interested in a stake.

In February, it agreed to buy 51 per cent control of Linjeflyg, the Swedish domestic carrier. The acquisition, now being reviewed by Sweden's office of fair trading, is designed to consolidate the airline's position in its home market in anticipation of Swedish airline deregulation.

After an unsuccessful attempt to link with Sabena of Belgium five years ago, SAS has since formed a commercial partnership with Swissair and Austrian Airlines called the European Quality Alliance (EQA).

For Mr Carlzon, the ultimate target continues to be a full-blown merger with another European airline to enable SAS to establish a stronger position in the European market.

Based on the geographical fringes of Europe, SAS is handicapped by its smaller size compared not only with the large US carriers now aggressively expanding into Europe but also with the big European carriers like British Airways, Air France or Lufthansa.

But for all the recent talk of cross-border airline mergers in Europe, these have so far been elusive, although the European Commission's third package of air transport liberalisation measures is likely to accelerate the process next year.

In the absence of a full merger, Mr Carlzon says the second best solution is to get as close as possible to this goal. "Our aim is to have as close a co-operation as if we were merged, knowing that we cannot merge," he said in an interview with the Financial Times.

SAS risks seeing its virtual monopoly of the Scandinavian market eroded by deregulation at a time when it is still struggling to recover from the airline industry slump as well as strengthening its European network through partnerships and alliances

As the sunlight streams into his spacious office in SAS's modern steel and glass headquarters building in Stockholm, he smiles and adds: "If you cannot get the girl you want you have to take the second best, otherwise you will be left all alone."

To survive when the European airline market is liberalised next year, SAS, he says, must broaden its market base and establish its presence in the main destinations of Europe, at the same time as improving efficiency and its financial situation.

"If we sit in Scandinavia, we will have too small a market to be competitive," he explains. "None of the European airlines have access to more than one major hub in their home market, but by combining SAS with British Midland and EQA, we will have an annual passenger volume of 35.2m passengers".

This, he claims, makes his partnership the largest in Europe, placing it ahead of the Air France group with 33.4m passengers a year.

The three EQA partners have hubs in Copenhagen (SAS), Zurich (Swissair) and Vienna (Austrian Airlines). British Midland provides the alliance with an important presence at London's Heathrow since the UK carrier has the second largest number of take-off and landing "slots" at Heathrow after BA.

With British Midland, SAS hopes to enter the UK market under cover. But it is also a way of fending off a growing challenge from smaller independent Scandinavian carriers seeking to develop a rival hub at London's Gatwick airport to compete against SAS.

Three Scandinavian carriers, Transwede Airways, Norway Airways and Sterling, have joined forces under the umbrella of the NRT Nordisk travel group to take advantage of Swedish airline deregulation and develop feeder services from Scandinavia to Gatwick and other European airports to connect with the international networks of larger airlines. Maersk Air, the Danish independent carrier, is also building up a hub at Gatwick.

These smaller carriers believe they can compete strongly against SAS because their costs are about 30 per cent lower than those of the Scandinavian flag carrier.

This is putting additional pressure on SAS to reduce its costs. The airline, which cut 2,700 jobs last year and plans to shed a further 3,500 this year, is seeking to improve productivity by 20 per cent in 1991-92.

Jan Carlzon: had to alter his earlier ambitious strategy

This has not been easy. It started negotiating 38 separate collective agreements with unions in Scandinavia 15 months ago. So far, it has reached agreement with 35 without lowering any of the salaries. The remaining three are the pilots' unions where SAS wants the pilots to increase the time they actually fly during their working day.

SAS risks seeing its virtual monopoly of the Scandinavian market eroded by domestic deregulation at a time when it is still struggling to recover from the general airline industry slump as well as strengthening its European network through partnerships and alliances.

The airline was extremely concerned by the unsuccessful merger talks between BA and KLM Royal Dutch Airlines. A BA-KLM combination would have posed a significant competitive threat to SAS which, in turn, attempted to interest KLM in joining its EQA partnership with Swissair and Austrian Airlines.

Mr Carlzon has not only had to cope with recession but has also had to alter radically his earlier ambitious strategy of turning SAS into a global travel and hotel group. The group, which made a pre-tax loss of SKr1.22bn ($206m) last year compared with a loss of SKr736m in 1990, is now refocusing on its core airline activities.

Apart from the fall in air traffic, the group was hit by heavy losses from its unsuccessful attempt to expand its hotel activities: it bought a 40 per cent stake in Inter-Continental in 1989 from Saison, the Japanese retail and leisure group which is the hotel chain's controlling shareholder, but was forced to sell the stake back last month (March).

The U-turn was seen as a clear admission of failure, and Mr Carlzon – who was strongly criticised for his decision to embark on this loss-making project – says that he regrets the ill-starred venture.

In future, SAS may sell some of the other hotels it owns, but Mr Carlzon says he does not intend putting them up for sale until there is some sign of recovery in the troubled property market.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 08.04.92 / Final Prices for Trading on 03.03.92

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	[illegible]	17.18	18.65
0100	16.68	17.48	18.78
0130	[illegible]	[illegible]	18.78
0200	[illegible]	17.48	18.78
0230	16.80	17.48	18.79
0300	16.80	17.48	18.79
0330	16.80	17.01	17.01
0400	16.80	16.74	16.74
0430	16.85	16.73	16.73
0500	16.79	[illegible]	16.73
0530	[illegible]	[illegible]	16.74
0600	16.82	16.78	16.78
0630	16.88	16.76	16.76
0700	17.03	18.66	20.02
0730	18.77	18.66	20.01
0800	24.06	[illegible]	20.00
0830	[illegible]	18.56	20.00
0900	24.84	[illegible]	20.01
0930	24.77	22.70	24.18
1000	24.69	22.70	24.18
1030	24.02	18.36	18.70
1100	23.83	18.38	19.69
1130	23.16	18.36	19.69
1200	23.16	[illegible]	19.69
1230	23.05	18.36	19.69
1300	22.92	18.36	19.69
1330	21.74	[illegible]	19.68
1400	20.96	18.38	[illegible]
1430	20.94	18.66	20.00
1500	20.94	18.66	20.00
1530	20.94	17.02	17.02
1600	20.96	18.66	19.99
1630	23.84	18.66	[illegible]
1700	24.21	18.66	19.99
1730	24.20	18.66	19.99
1800	24.15	[illegible]	19.99
1830	20.76	18.66	20.02
1900	20.72	18.68	20.02
1930	20.72	20.06	21.42
2000	20.72	18.56	19.98
2030	24.57	[illegible]	19.67
2100	24.57	18.36	19.68
2130	24.57	17.02	17.02
2200	[illegible]	16.89	[illegible]
2230	18.75	16.82	16.82
2300	17.00	16.76	[illegible]
2330	16.84	16.69	16.69
2400	16.81	[illegible]	16.67

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.66/MWh becomes 1.866p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 05.04.92 / Final Prices for Trading on 08.03.92

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	[illegible]	17.03	[illegible]
0100	16.68	[illegible]	19.80
0130	16.93	[illegible]	19.80
0200	25.17	17.54	[illegible]
0230	25.17	17.54	19.82
0300	25.17	[illegible]	19.82
0330	25.17	17.54	19.82
0400	20.97	17.01	17.01
0430	17.65	17.00	[illegible]
0500	16.82	16.99	16.99
0530	17.73	[illegible]	16.70
0600	17.73	16.70	[illegible]
0630	[illegible]	16.70	16.70
0700	19.27	16.70	16.70
0730	19.27	16.70	[illegible]
0800	17.73	16.70	16.70
0830	17.73	16.70	16.70
0900	[illegible]	16.71	16.71
0930	16.82	17.78	19.52
1000	17.73	[illegible]	19.49
1030	19.27	17.18	19.47
1100	[illegible]	[illegible]	[illegible]
1130	21.48	17.18	19.47
1200	25.83	17.18	19.45
1230	25.83	17.18	[illegible]
1300	25.83	17.18	19.44
1330	25.28	17.18	19.47
1400	19.27	[illegible]	19.48
1430	18.79	[illegible]	18.73
1500	18.78	18.72	18.72
1530	16.76	16.73	16.73
1600	16.72	16.73	16.73
1630	16.72	16.73	[illegible]
1700	16.72	16.71	[illegible]
1730	[illegible]	16.73	16.73
1800	16.72	18.03	20.38
1830	16.74	17.48	19.76
1900	[illegible]	18.15	20.45
1930	16.82	18.88	21.16
2000	17.73	18.88	[illegible]
2030	25.83	18.15	20.44
2100	25.83	18.15	20.46
2130	25.83	[illegible]	20.45
2200	25.26	[illegible]	20.45
2230	17.73	18.15	20.46
[illegible]	16.85	17.48	[illegible]
2330	16.76	16.73	[illegible]
2400	16.72	17.18	[illegible]

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

EUROMARKET TURNOVER ($m)

	Primary Market US $	Primary Market Non-$	Secondary Market US $	Secondary Market Non-$
Fixed income bonds				
Euros straight	1,171.9	3,773.3	23,259.9	61,235.2
Other straight	0.0	1,957.3	1,018.4	104,164.2
Convertible	106.1	795.5	2,127.6	2,097.2
Money market instr				
FRN	438.0	542.9	10,728.1	4,678.6
CD's	20.5	1.6	7,695.9	406.9
Short $ MT Notes	17,167.1	4,739.9	10,101.1	12,404.0
Warrants	0.0	0.0	680.0	881.6
Equities	290.5	281.3	879.7	1,996.0
Total	19,190.1	12,069.6	88,027.7	187,714.6

	Cedel	Euroclear	Total
US$	28,931.6	45,286.2	74,217.8
Other	73,675.1	126,129.1	199,804.2

Week to April 2, 1992
The Warrants and Equities figures are from Euroclear only

Source ISMA

NRI TOKYO BOND INDEX

Base average 1983 = 100	02/04/92	Average yield (%)	Last week	13 wks ago	26 wks ago
		PERFORMANCE INDEX			
Overall	171.67	5.52	171.94	169.86	163.75
Government Bonds	170.07	5.43	170.85	169.02	162.17
Municipal Bonds	172.58	6.07	172.93	171.39	165.95
Govt.-guaranteed Bonds	175.25	6.02	175.45	173.63	168.41
Bank Debentures	168.06	5.19	167.77	165.48	160.04
Corporate Bonds	174.23	6.31	174.05	171.37	164.36
Yen-denom. Foreign Bonds	178.91	6.86	178.68	174.49	171.14
Government 10-year†	5.75		5.59	5.53	5.99

† Estimated par yield

Source: Nomura Research Institute

Trading volume at CBOT and CME surges

TRADING volume at the Chicago Bard of Trade and the Chicago Mercantile Exchange, the world's two largest futures markets, shot up during the first quarter of this year. The CME's volume surged nearly 30 per cent against the same period last year and the CBOT's jumped more than 22 per cent, writes Barbara Durr.

At the CME, trading volume in futures reached 28m contracts, a 28.5 per cent increase over the first quarter of 1991, and futures-options volume rose to 6.6m, a 35.4 per cent rise over a year ago. Futures trading at the CBOT rose to 33.6m, up 23.6 per cent over 1991, and futures-options volume rose to 8.3m contracts, a 16.3 per cent expansion.

Contracts at both exchanges have broken trading records in the past three months. At the CBOT, two, five and 10-year Treasury note futures captured record volume, while the CME's futures on Eurodollars, and D-Marks set new highs.

intrum justitia

(Registered in Curaçao No. 41415)

Notice of Annual General Meeting

The shareholders of Intrum Justitia NV are hereby convened to attend the annual general meeting of shareholders which will be held on May 19th 1992, at 14.00 hours, at **Business Center Zeelandia, Polarisweg 28, Willemstad, Curaçao, Netherlands Antilles.**

AGENDA

The following items are on the agenda for this Meeting:

1. Report of the Board of Managing Directors on the business of the Company during the fiscal year ended December 31, 1991.
2. Determination of the Balance Sheet and the Profit and Loss Account for the fiscal year ended December 31, 1991.
3. Approval of the interim dividend of 0.8 pence, paid on October 31, 1991.
4. Declaration of final dividend of 1.6 pence, payable on June 4, 1992.
5. Reappointment of the present members of the Board of Managing Directors of the Company to serve the Company until the next Annual General Meeting and fixation of the remuneration.
6. Reappointment of the present members of the Board of Supervisory Directors to serve the Company until the next Annual General Meeting.
7. Reappointment of Coopers & Lybrand as auditors of the Company for the current fiscal year and authorisation of the Board of Directors to fix the remuneration.
8. To approve the Intrum Justitia 1992 Senior Executive Share Bonus Plan.
9. To approve the Intrum Justitia 1992 Executive Share Option Plan.
10. To approve the amendment of the Articles of Incorporation of the Company as per the draft deed of amendment prepared by the law offices Smeets Thesseling & Van Bokhorst.
11. Future developments.

The Agenda and its enclosures can be obtained at the Registered Office of the Company, Chumaceirokade 3, Willemstad, Curaçao, Netherlands Antilles. Tel 59 99 65 70 22, fax 59 99 65 75 43; with The Registrar: The Royal Bank of Scotland, P.O. Box 435, Owen House, 8 Bankhead Crossway North, Edinburgh, Scotland; with the Kredietbank S.A. Luxembourgeoise, 43 Boulevard Royal, L 2955 Luxembourg, Luxembourg; and with James Capel, 6 Bevis Marks, London EC3A 7JQ, United Kingdom.

Shareholders can attend the meeting in person or may be represented at the meeting by proxy.

To this effect the holders of registered shares are requested to complete a proxy and voting instructions and mail these to The Registrar:

The Royal Bank of Scotland Plc, F.A.O. Mr D.J. Gilchrist, P.O. Box 435, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 4BR, Scotland. Fax no. 44 31 442 4924.

Holders of bearer shares are requested to deposit their shares with a bank and to arrange for the completion and execution of a certificate of deposit and voting instructions.

Thereafter the documents should also be sent to The Registrar. The Royal Bank of Scotland Plc aforementioned as soon as possible.

The proxyforms, certificates of deposit and voting instructions should be received by The Royal Bank of Scotland Plc no later than May 12, 1992.

Intrum Justitia NV
April 6, 1992

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Prospect of Labour win hits prices

A WEEK of trepidation looms for people in the government gilt-edged securities market.

Many gilt specialists reckon a Labour win in Thursday's general election will cause a run on sterling, higher interest rates and increased public sector borrowing – all of which would push up bond yields.

As results from opinion polls indicating a Labour lead fed their way into market thinking, prices for gilts fell last week by up to ¾ of a point, continuing the poor run for the securities which started in the week prior to Budget day on March 10. Since then, 10-year gilt yields have risen by 80 basis points – 0.8 of a percentage point – to about 10 per cent, with a consequent reduction in prices.

A big fear for the market concerns sterling, which some gilt investors believe would come under pressure following a Labour victory. Base rates might then have to rise to defend the currency, an event which would push up gilt yields along the yield curve but especially at the short end and depress prices.

Farther in the background, but no less of a problem for the market, is the size of the public sector borrowing requirement (PSBR). In the Treasury's latest prediction, this is likely to rise to £28bn this financial year and £32bn in 1993-94, from £14bn in 1991-92. To fund the PSBR, the Bank of England will probably have to sell £2bn to £3bn worth of gilts a month over the next year or so, a huge selling programme that will almost certainly push up yields and depress prices.

While the Treasury's prediction assumes Tory policies, should Labour form the next government, public-sector borrowing might be forced up still more. According to Mr Simon Briscoe, an economist at Greenwell Montagu, Labour policies could add £15bn to the figure over the next two years, leading to a further drift downwards in prices.

Mr Briscoe assumes Labour would cancel privatisation sales planned by the Tories, reducing government revenues by £7bn over the two years and pushing up borrowing by the same amount. Further, he thinks Labour's proposal to let local authorities spend cash obtained from sales of houses and other assets during the 1980s would add a further £8bn to the PSBR during the two-year period.

Assuming a Labour victory or a Labour-led coalition, Mr John Smith, the new chancellor, would have to introduce a Budget, probably before the end of May. Ahead of this event, according to Mr Andrew Bell, a strategist at Barclays de Zoete Wedd, the gilt market would be affected by great uncertainty while the Bank would have to proceed with its large programme of gilt sales which has already been interrupted by the election.

That could lead to the Bank attempting to sell up to about £5bn of gilts during a time of weak demand for the securities, events which could depress market conditions.

During last week, such gloomy thoughts preoccupied many gilt traders, with short-dated gilts bearing the brunt of the decline in prices. The benchmark 10 per cent Treasury bond maturing in 1994 fell by nearly ¼ point to 98⅞, with a rise in yields from 10.2 per cent to 10.55 per cent. Longer maturing stock was better protected from the price fall; the 9 per cent Treasury bond maturing in 2008 saw a fall of about ⅛ point, closing on Friday at 94¼ for a yield of 9.7 per cent.

With gilt prices having tumbled so much recently, some believe buying support will rally as investors pick up what could be perceived as bargain stocks. Mr David Boardman, head of fixed income at Fleming Investment Management, a big bond investor, said: "At the prices we have seen recently, gilts are beginning to look attractive."

From the point of view of the Bank, which badly needs to get on with its funding programme, indications of heightened interest in gilts would be welcome. The Bank would like to see a return to the position in February in which, according to the latest funding statistics, it sold to the market a hefty £1.6bn worth of gilts, with purchasing from overseas investors especially strong.

Peter Marsh

GERMAN BONDS

Statistics underline investor pessimism

IT IS almost as though the rally had never taken place. Yields on 10-year bunds were back at over 8.1 per cent on Friday, up sharply since prices reached their high point for the year in February.

The optimism which followed the Bundesbank's rate rise in late December has evaporated and investors are talking gloomily about yields being back up to 8.2 per cent again before long. Talk of 7.5 per cent by the middle of the year is dismissed out of hand.

A series of recent statistics has underscored the pessimism. A fortnight ago it emerged that M3, the broad measure of money supply, climbed by a seasonally adjusted annual rate of 8.5 per cent in February, compared with a target of 3.5 to 5.5 per cent growth for the full year.

Last Thursday, year-on-year inflation for March came out at 4.7 per cent – and is expected to come in at the same level this month. On Friday it was announced that industrial production in February climbed by 1.2 per cent on January – worse than expected in that the market was expecting evidence of a slowdown.

Although there have been few tangible developments in the wage round in the past month or so, what settlements there have been have tended to exacerbate the gloom.

What investors really care about is a cut in interest rates. When they bought bunds in late December, they had persuaded themselves the rate rise would induce sense into the wage round, slow the economy and curb inflation – all in time for a rate cut by late spring. As recent indicators show, there is no evidence of a severe slow down in the economy. Mr Norbert Walter, chief economist and head of research at Deutsche Bank, argued at the bank's seminar for international investors in Berlin two weeks ago that it looks unlikely the inverse yield curve will presage a recession, as is traditionally the case.

Current stagnation is likely to give way to recovery later this year, as borne out by a poll of 400 big German companies conducted by the Munich-based IFO economics research institute published last week. The companies are expecting a pick-up in orders, sales and investments next year. This optimism appears in stark contrast to this year's daily announcements of staff lay-offs and falling profits – but it is perhaps the medium-term view which will determine management's willingness to face down high wage demands.

Another negative factor is the 1 percentage point increase in the VAT rate to be introduced at the beginning of next year. This may push up the headline inflation rate once again, which will in turn influence next year's wage round.

Against this background, it seems improbable that the Bundesbank will hurry to cut interest rates when it is clear inflation has peaked for the current year. Mr Walter predicts a cut in money market rates in June. Others are not so sanguine and it looks as though the bund market will be in the doldrums for some months to come.

David Waller

US MONEY AND CREDIT

Hopes of instant recovery quashed

MS NANCY KIMELMAN, the chief economist of the technical data division of Thomson Financial Services in Boston, offered a perspicacious comment about prospects for the US economy last Friday that should be plastered across the walls of America's myopic Treasury bond traders.

"We Americans," said Ms Kimelman, "are an antsy bunch. We want to be first in line; we want service immediately; we want our food precooked. We also want our recessions over quickly and our recoveries to be as instant as oatmeal. Well, instant oatmeal tastes like mush! A period of stability is healthy. It's positive for the long run and healthy for the economy."

Ms Kimelman's message is much in line with the private remarks of top US bankers. Few of America's business elite expect a rapid economic recovery; most are looking for growth of only 1 to 2 per cent in the next few months and nearly all say they expect the recovery to be gradual.

This commonsense perspective remains at odds with the behaviour of both the bond and equity markets. The stockmarket rallied excessively and anticipated a jet-propelled recovery in January. The bond market's behaviour in recent weeks has been erratic and inconsistent. Last week's swings and roundabouts, ending in a rally based on poor employment data, was typical of this trading pattern.

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	3.75	3.50	3.50	11.00	2.00
Three-month Treasury bills	4.04	4.09	4.12	8.29	3.76
Six-month Treasury bills	4.16	4.27	4.27	7.70	3.89
Three-month prime CDs	4.22	4.30	4.32	7.17	4.01
30-day Commercial Paper	4.15	4.25	4.27	7.12	3.90
90-day Commercial Paper	4.17	4.25	4.30	7.02	3.92

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	96⅜	+⅜	7.08	7.21	7.15
10-year Treasury	100⅝	+⅜	7.39	7.52	7.47
30-year Treasury	101⅛	+⅝	7.87	7.94	7.92

Money supply: In the week ended March 23, M1 fell by $4.8bn to $938.2bn. M2 fell by $10.2bn to $3,467bn.

Early in the week a 0.8 per cent rise in the government's index of leading economic indicators failed to move the money men because it was in line with expectations. On Wednesday traders at first took fright and sold Treasury bonds when the March index from the National Association of Purchasing Management (NAPM) rose to 54.1 per cent from 52.4 per cent in February. But within hours the benchmark 30-year Treasury bond was marked ¼ point higher after commentators pronounced the NAPM report to be not as encouraging as it seemed, especially in the sub-index category of employment, which fell in March.

On Friday, the market rallied ½ a point following the release of March unemployment numbers showing a meagre gain of 19,000 salaried jobs and a continued 7.3 per cent national average unemployment rate.

Most economists had been expecting the non-farm employment level to have increased by 25,000 to 50,000 in March, but when the figures were released on Friday they failed to meet even these modest market expectations.

Bond traders glanced at the jobs data and factored into the equation last Thursday's Federal Reserve Board numbers showing a significant contraction in key monetary aggregates in the week ended March 23. They also noted the Fed's last Open Market Committee (FOMC) in February had voted to favour a bias toward easing interest rates if necessary, and they guessed the FOMC did the same at another meeting last week.

A new trend was born, with the market prepared for more inconclusive macro-economic data in April and once again hoping for an easing in rates – which is the exact opposite of its view of a fortnight ago.

Ms Maria Ramirez, a close bond-watcher, summed up the situation this way: "What a difference a few statistics make! Only two weeks ago a focal point of discussion in the market was when the Fed would tighten [rates]. Now, perceptions have swung 180 degrees in the other direction to forecasts for the Fed to ease."

The benchmark 30-year bond was up ⅝ on the week, to yield 7.87 per cent last Friday at a price of 101⅛. This compared with a yield of 7.94 per cent a week before. At the shorter end of the market, investors flirted with two-year notes, marking them ¼ point higher on Friday to yield 5.35 per cent at a price of 100¼.

The market views the short end of the market as especially cheap, which is producing a steeper yield curve as short-term interest rates fall farther than the long end.

The spread between two-year and 30-year paper is about 250 basis points, reflecting the conviction that the economic recovery is weak enough and money supply growth slow enough for the Fed to consider easing rather than tightening monetary policy. This, at least, was the market mentality late last week. The trend is unlikely to change in the near future, but that by no means implies bond traders are prepared to take a broader view of the world.

Alan Friedman

FT/ISMA INTERNATIONAL BOND SERVICE

[illegible]

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

INTERNATIONAL CAPITAL MARKETS

SYNDICATED LOANS

Local authorities turn to commercial banks

UK LOCAL authorities are not exactly flavour of the month with the banking community.

Since the swaps fiasco – when the House of Lords ruled that authorities were acting outside their legal powers in entering swap agreements, and were not obliged to meet their losses – many foreign banks will no longer do business with them, leading to wider lending margins for the banks.

There has been something of a renaissance of commercial lending to local authorities recently. One reason has been the growing number of out-of-court settlements between banks and authorities over swap agreements.

A second reason is the growing dependence of authorities on commercial finance. For most of the past decade, the Public Works Loans Board – a central government-funded agency – has grown in importance as a provider of finance to authorities. Ten years ago, it had lent exactly a third of total outstanding long-term debt owed by the authorities. That proportion shot up during the 1980s, reaching an estimated 79 per cent of the £61bn long-term debt at the end of March 1991.

During that period, commercial lenders reduced their exposure from £28bn to around £13bn. The main reason for this was the preferential terms offered by the PWLB. With central government finances in a strong position, leading to a net repayment of public sector debt, it made sense to fund local authority borrowing centrally.

The sharp reversal into deficit, and the hefty government borrowing now projected has changed that picture. The PWLB has been making itself less attractive as a source of finance. Its interest rates are close to those on commercial lending and it is likely to become more a lender of last resort to authorities, rather than the main source of finance.

There could also be political reasons for such a step: PWLB lending shows up in the official public sector borrowing requirement. External borrowing by authorities may not, if it is for revenue rather than capital purposes. With the PWLB making new advances of £3.6bn in 1990/91, and nearly £8bn the year before, the sums are insignificant.

Much of the syndicated commercial lending made to local authorities during the mid-1980s is coming up for renewal over the next three years. These arrangements are not strictly classified as "borrowing", since they were structured to get around centrally-set borrowing limits. Known as "deferred purchase" arrangements, these off-balance sheet deals became a *cause célèbre* in the 1980s, as authorities entered sale and leaseback arrangements on assets.

Most deferred purchase schemes look set to be renewed in their current form, if only because to restructure them would bring them into the borrowing net, reducing the capacity of authorities to borrow elsewhere.

All of this points to a growing dependence on commercial banks. Several bankers comment that short-term borrowing by authorities has picked up recently, with a healthy two-way business being done through money-brokers.

The costs have risen, though. The margin over Libor on five-year lending to local authorities is put at around 50 basis points – or half a percentage point. For the off-balance sheet schemes, the margin is more like 70 basis points, reflecting the complex structuring involved. That is close to what many companies pay. The authorities, though, are regarded as sovereign credits, with a capital weighting to match: banks need to set aside only 0.2 per cent of the capital they would have to provide for a straight corporate credit. Local authority lending does not come with an explicit guarantee from central government, but the banks take a charge over the future tax receipts of the authorities concerned.

Some authorities complain this is a "penal" rate, set to punish them for the swaps losses. But if a new commercial market does develop for local authority finance, that penalty is unlikely to last.

Richard Waters

INTERNATIONAL BONDS

Cracks show in fragile consensus over new issuance

THE FRAGILE consensus among Eurobond firms on the conduct of new issue business, which has looked strained for months, last week deteriorated further.

The cause of disagreement was an Ecu400m 12-year issue by the European Investment Bank, lead managed by Deutsche Bank Capital Markets under a pricing and fee structure which many firms deplored. Many leading new issue houses declined to participate in the transaction.

However, behind the acrimony lies a change in the economics of the market. The common front among leading firms has been deteriorating since new issue activity started to boom last year. Big firms have became more adventurous, hungry for a larger slice of the market and prepared to take risks to match.

The EIB issue was controversial partly because it offered participants, including the lead manager, only a very slim return for underwriting.

Deutsche Bank underwrote most of the transaction and said it had substantial lead orders for the bonds. Underwriting risk was very small and remuneration was correspondingly slight, it argued.

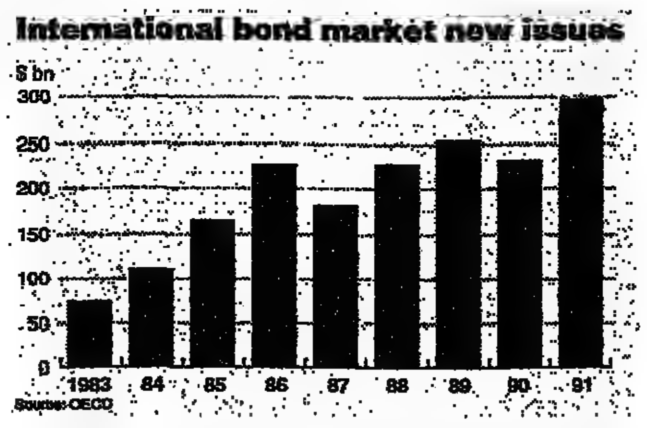
The deal was not the first to offer underwriting fees lower than the norm established in the dark days of the late 1980s. A striking feature of the primary Eurobond market this year is an increasing number of "block trades," deals wholly underwritten by a single firm at a reduced rate.

Last week, Abbey National raised £250m over five years from an issue wholly underwritten by Barclays de Zoete Wedd. The fees were undisclosed but were probably well below the established level.

Merrill Lynch was the sole underwriter for a A$150m 15-year deal for the State Electricity Corporation of Victoria. Again, fees were undisclosed.

The last few issues by the EIB have also been handled as block trades by firms willing to take on the majority of the underwriting risk for a marginal return.

Moreover, there is an underlying trend for lead managers to take a larger proportion of new issues which are, on the surface, sold through a wide



syndicate of firms. Block trades are a natural extension of this.

"The new issue business is no longer about following secondary market trends and pumping out bonds indiscriminately. Firms need to concentrate on real investor flows, lining up lead orders for a deal," commented a new issue manager.

The EIB and Deutsche Bank also declined to use "fixed price" syndication techniques which have been established in the Eurobond market since 1989 and are widely credited with restoring order and profitability to the primary market.

Instead, the deal was structured as an "old style" deal, using syndication practices which many firms hoped never to see again.

Under an old style deal, underwriters buy the bonds from the issuer at a discount but are free to sell at any price. The EIB bonds carried an issue price of 100.66, but were owned by the underwriters at 98.535.

In theory, the underwriters can sell the bonds at any level up to the issue price, at which point they earn "full fees" – in this case a handsome 2.125 per cent of the amount raised.

In practice, the bonds usually trade down to the price at which the underwriters own the deal, as syndicate members compete to off-load paper into the market. At this level the underwriters earn no fees. The EIB issue was quoted by the lead manager at a discount equivalent to full fees as soon as it was launched.

In a "new style" fixed priced syndication, underwriters buy bonds from the issuer at a discount as before, but must sell the paper at a level prescribed by the lead manager during the initial stages of the deal.

There is no pretence that underwriters will earn fees as high as 2.125 per cent. If all the bonds are sold to investors at the fixed price, underwriters might expect to earn 0.30 to 0.35 per cent from an issue similar to the EIB deal.

However, by holding the bonds at a fixed price until the majority of bonds are in the firm hands of investors, this margin should be secured.

Badly priced issues will still drop in price once they are allowed to find a "free-market" level. But proponents of the fixed price system argue that it brings much-needed order and discipline to the primary market, protecting the return paid to underwriters and, therefore, the long-term health of the primary market.

Hence Deutsche Bank aroused the ire of its peers not only for underwriting bonds in return for slender fees, but also for reverting to syndication techniques which – if copied by other borrowers – many fear would erode the profitability of all market participants.

If current trends continue, however, such fears will be overtaken by events.

The bigger new issue houses appear to be moving away from syndicated deals altogether for all but the largest transactions.

Those firms with a capital base large enough to absorb underwriting risk look increasingly determined to use this "critical mass" to win new issue business alone.

Simon London

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Kingdom of Norway†	1bn	1997	5	7.25	99.58	Deutsche Bk.Cap.Mkts.	7.538
Nankai Elec. Railway♦	300	1996	4	3.375	100	Daiwa Europe	3.375
Republic of Turkey(d)†	250	1997	5	8.50	100	Bankers Tst. Intl.	8.681
Jardine Strategic(l)§	250	(l)	-	7.5	(l)	Jardine Strategic	-
STERLING							
Abbey Nat. Treas. Servs(e)†	250	1997	5	10.50	99.488	BZW	10.634
Leeds & Holbeck B.S.(f)§	25	(f)	(f)	13.375	100.227	Hoare Govett	-
ECUs							
European Inv. Bank†	400	2004	12	8.5	100.66	Deutsche Bk.Cap.Mkts	8.411
CANADIAN DOLLARS							
Bayer/Hypo Bk.(a)†	75	1995	3.75	8.5	99.60	Wood Gundy	8.639
Prudential Funding Corp†	125	1997	5	9.125	101.25	UBS Phillips & Drew	8.805
AUSTRALIAN DOLLARS							
State Elec.Co.of Victoria(b)†	150	2007	15	8	101.25	Merrill Lynch	7.855
LIRE							
Saab(k)§†	65bn	1997	5.66	9.25	100	Lehman Bros. Intl.	9.230
YEN							
Japan Airlines†	30bn	1999	7.25	6	101.40	Nomura Intl.	5.753
Hino Motors Co.†	20bn	1996	4.25	6	101.525	Nikko Europe	5.580
East Japan Railway Co.†	20bn	1997	5.25	6	101.625	Yamaichi Intl.	5.628
Mitsubishi Kasei Corp†	20bn	1996	4.25	6	101.50	Yamaichi Intl.	5.587
D-MARKS							
Marutomi Group(c)‡†	90	1996	4	5.125	100	Nomura Bk.(Deutsch.)	5.125
Shinko Wire Co.♦	60	1996	4	5.125	100	Yamaichi Bk (Deutsche)	5.125
FIH(m)†	200	1999	7	8.375	101.625	Commerzbank	8.062
SWISS FRANCS							
Gen Mort Bk. King. Sweden†	100	1997	5	7.25	101.25	Credit Suisse	6.946
Hokkaido Gas Co.★★†	50	1998	4	4	100	Yamaichi Bk (Switz.)	4.000
Eurofima(g)†	200	2004	12	6.75	100.25	UBS	6.714
Higashi Nihon House(h)★★§	90	1996	4	4.625	100	Banque Kankaku	4.678
City of Montreal†	100	2002	10	7.25	102	Wirts. & Privatbank	6.966
PESETAS							
Bank of Greece(i)†	10bn	1997	5	12.50	101.50	Bco Santander Negs.	12.083
LUXEMBOURG FRANCS							
BBL Intl.†	1bn	2002	10	9	102	Credit Europeen	8.693
Cregem Intl.Bank★★†	400	1994	2	9.875	102.375	Cregem Intl.	8.581
Nordbanken(j)†	600	2000	8	9.25	101.95	Kredietbank	8.899
Rank Xerox★★†	1bn	1995	3	9.50	102	Banque UCL	8.714
Banque Indosuez(j)†	1bn	2002	10	9	101.75	BGL	8.731

★★Private placement. §Convertible. ‡With equity warrants. ‡Floating rate note. ♦Variable rate note. †Final terms. a) Fungible with existing C$100m issue launched 14/11/91. Non-callable. b) Put option at par 6/5/94. If not exercised the deal will pay 12.15% thereafter. Non-callable. c) Exercise premium fixed at 2.50%. Non-callable. d) Amount increased from $200m. Coupon payable semi-annually. e) Total fees undisclosed. Non-callable. f) Undated subordinated notes, mandatorily convertible into Permanent Interest Bearing Shares (PIBS). Coupon payable semi-annually. Fees undisclosed. g) Fungible with existing SFr400m deal, launched 5/2/92. h) Put option 30/04/94 at 109.375. Coupon payable semi-annually. i) Matador issue. Non-callable. j) Subordinated issue. Non-callable. k) Deal issued 30/03/92 and priced 02/04/92. Mandatory conversion at maturity. Fees undisclosed. Conversion premium fixed at 3.00pc. l) An issue of undated convertible preference shares, paying a fixed dividend of 7.5% Each $500.00 share launched at a price of $1000.00. Non-callable for first five years. m) Full name of borrower: Finansieringsinstitutet for Industri og Handvaerk. Non-callable. Note: Yields calculated on ISMA basis.

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWEDEN (continued)

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

4:00 pm prices April 3

[illegible]

MONTREAL

4:00 pm prices April 3

[illegible]

Total Sales 11,520,400 shares

INDICES

NEW YORK

DOW JONES	Apr 2	Apr 1	Mar 31	Mar 30	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3249.11	3234.12	3249.33	3235.47	3290.25 (3/3)	3172.41 (2/1)	3290.25 (3/3/92)	41.22 (2/7/32)
Home Bonds	98.77	98.89	98.82	98.61	99.81 (6/2)	98.41 (20/3)	99.81 (6/2/92)	54.99 (1/10/81)
Transport	1348.28	1366.59	1381.17	1383.78	1467.68 (20/2)	1342.12 (2/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	203.99	203.62	204.49	205.62	225.59 (3/1)	202.55 (6/3)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3271.91 (3277.06) Low 3201.92 (3209.08)

STANDARD AND POOR'S

	Apr 2	Apr 1	Mar 31	Mar 30	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	401.55	400.50	404.23	403.69	420.77 (15/1)	400.50 (2/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	479.14	477.10	481.30	480.15	499.27 (15/1)	477.10 (2/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	33.09	33.33	33.88	34.07	35.14 (15/1)	33.09 (3/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	221.86	221.51	223.42	223.25	231.85 (15/1)	221.51 (2/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	389.22	390.48	393.15	395.04	418.99 (12/2)	389.22 (3/4)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	590.01	593.82	602.09	603.77	644.92 (12/2)	586.45 (2/1)	644.92 (12/2/92)	54.87 (31/10/72)

	Mar 27	Mar 20	Mar 13	year ago (approx.)
Dow Industrial Div. Yield	2.86	2.80	2.84	3.53

	Apr 1	Mar 25	Mar 18	year ago (approx.)
S & P Industrial div. yield	2.64	2.62	2.61	2.88
S & P Indl. P/E ratio	28.56	28.78	28.91	17.95

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
CMS Energy	4,103,100	15½	- ¼
AT & T	3,514,900	42	+ 1⅛
Pepsico	2,348,500	35	+ ⅛
Homestake	1,917,100	12	- ¼
RJ Nabisco	1,865,900	9⅛	---
Bankamerica	1,785,000	40⅞	- 1⅛
Merrill Lynch	1,775,700	51	- 1½
IBM	1,720,300	81¼	- ½
GTE Corp	1,680,100	29⅞	---
Comp Assoc	1,679,400	13⅛	- ⅛

TRADING ACTIVITY

† Volume Millions	Apr 3	Apr 2	Apr 1
New York SE	188.530	185.110	182.102
Amex	13.751	16.950	15.666
NASDAQ	(u)	194.636	180.172
NYSE			
Issues Traded	2,210	2,198	2,207
Rises	674	600	667
Falls	947	1,094	1,039
Unchanged	589	504	501
New Highs	12	25	22
New Lows	43	44	41

CANADA

TORONTO	Apr 2	Apr 1	Mar 31	Mar 30	1992 HIGH	1992 LOW
Metals & Minerals	2866.13	2862.69	2870.29	2890.57	3238.87 (16/1)	2862.69 (2/4)
Composite	3385.50	3395.90	3411.90	3412.10	3666.00 (16/1)	3385.50 (3/4)
MONTREAL Portfolio	1762.91	1768.15	1775.13	1768.92	1937.59 (16/1)	1762.91 (3/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Apr 2	Apr 1	Mar 31	Mar 30	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1565.8	1561.2	1574.0	1582.6	1673.60 (15/1)	1561.20 (2/4)
All Mining (1/1/80)	687.9	684.7	687.8	693.8	717.20 (25/2)	660.38 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	419.38	417.65	422.46	428.48	685.20 (18/3)	372.24 (2/1)
Traded Index (2/1/91)	998.67	995.42	1005.53	1020.36	1099.43 (24/2)	981.64 (2/1)
BELGIUM						
BEL20 (1/1/91)	1188.55	1193.02	1189.49	1193.01	1234.72 (3/3)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	329.21	330.11	328.94	338.20	365.29 (15/1)	328.94 (1/4)
FINLAND						
HEX General (28/12/90)	801.4	789.1	811.1	806.6	935.90 (24/2)	779.00 (2/1)
FRANCE						
CAC General (31/12/82)	527.90	528.62	526.13	529.45	534.00 (11/3)	475.53 (2/1)
CAC 40 (31/12/87)	1942.73	1941.95	1928.07	1942.43	1993.88 (18/3)	1749.93 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	702.24	700.95	698.95	699.86	715.44 (3/3)	643.26 (6/1)
Commerzbank (1/12/53)	1982.4	1979.1	1973.4	1974.6	2026.70 (3/3)	1813.80 (8/1)
DAX (30/12/87)	1719.63	1721.46	1717.38	1717.86	1764.80 (5/3)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4916.78	4924.27	4991.96	4938.30	5071.19 (13/3)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1346.61	1349.79	1363.11	1372.05	1469.57 (17/1)	1346.61 (3/4)
ITALY						
Banca Com. Ital. (1972)	508.90	508.77	502.43	502.47	551.59 (6/2)	496.49 (30/3)
MIB General (2/1/92)	1002.0	1002.6	992.0	989.0	1007.00 (6/2)	977.00 (30/3)
JAPAN						
Nikkei (16/5/49)	18659.71	18286.83	18980.79	19345.95	23801.18 (6/1)	18286.03 (2/4)
Tokyo SE (Topix) (4/1/68)	1320.65	1321.68	1359.67	1418.52	1763.43 (6/1)	1320.65 (3/4)
2nd Section (4/1/68)	1995.65	2021.51	2064.01	2101.96	2457.85 (6/1)	1995.65 (3/4)
MALAYSIA						
KLSE Composite (4/4/86)	586.46	584.12	588.37	593.21	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Tfl.Rtn.Gen.(End 1983)	290.3	291.8	290.3	290.3	295.10 (4/3)	274.00 (8/1)
CBS All Shr (End 1983)	203.8	204.9	203.8	203.9	4579.00 (17/3)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	701.97	707.35	706.73	712.61	748.03 (17/1)	667.88 (25/2)
PHILIPPINES						
Manila Comp (2/1/85)	1111.77	1102.95	1099.81	1092.94	1303.30 (17/1)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	378.32	380.47	379.94	383.76	416.99 (21/1)	378.32 (3/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1087.00	1100.0	1120.0	1118.0	1327.00 (21/1)	1087.00 (3/4)
JSE Industrial (28/9/78)	4379.00	4404.0	4425.0	4485.0	4535.00 (15/1)	4160.00 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	596.39	585.67	599.00	606.32	691.48 (8/2)	585.67 (2/4)
SPAIN						
Madrid SE (30/12/85)	250.98	251.93	253.28	255.47	266.51 (28/2)	238.93 (2/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	988.50	993.4	994.7	999.9	1009.70 (20/3)	913.70 (2/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	811.6	814.4	810.3	816.2	818.60 (26/3)	748.50 (8/1)
SBC General (1/4/87)	639.9	642.5	640.2	643.2	650.10 (3/3)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	(c)	4733.96	4676.48	4800.94	5391.63 (30/1)	4676.48 (1/4)
THAILAND						
Bangkok SET (30/4/75)	826.62	822.96	822.42	822.72	838.18 (27/3)	711.81 (3/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	477.8*	477.5	481.2	488.8	542.10 (7/1)	477.50 (2/4)
Euro Top-100 (26/6/90)	905.21	911.26	907.62	915.58	943.20 (3/3)	870.32 (2/1)

**Saturday March 28: Taiwan Weighted Price: 4833.47, Korea Comp Ex. 602.66.
♦ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday 3 April 1992

	Stocks Traded	Closing Prices	Change on day
Nippon Carbon	11.2m	650	-100
Clarion	5.1m	758	+16
Hitachi	4.0m	774	+13
Toshiba	3.6m	676	+16
Nippon Steel	3.2m	309	+2
NEC	3.3m	980	+20
Nissan Chemical	3.1m	622	-10
Minebea	3.0m	440	+14
Tokyo Gas	3.0m	415	+5
Osaka Gas	2.7m	441	-10

FINANCIAL TIMES SURVEY

LIGHT RAIL SYSTEMS

Monday April 6 1992

IT is nothing short of a transport revolution. Exactly 30 years after Britain's last street-running trams (other than those in the seaside resort of Blackpool) made their final journeys to the sheds, the tram is making a comeback – not as the slow, clanking beast of old, but as a sleek, fast and efficient form of modern transport.

Today, after several months of delays, the first 10-mile section of Manchester's new light rail system is due to open. Called Metrolink, it heralds a new era for public transport in Britain: for unlike earlier light rail schemes such as the Tyne & Wear Metro and the Docklands Light Railway, the system *(pictured, right)* will see modern-day tram cars mixing with people and traffic on the streets of the city centre.

In one sense, this is nothing new. It is more than 100 years since the world's first electric tramcars went into operation on the streets of Blackpool in 1885. By the First World War, trams served more than 120 towns and cities throughout the UK, reaching their peak in the late 1920s when there were about 14,000 tramcars in service. The pattern was repeated throughout the developed world.

It was the growth of the motor bus which was the tram's undoing. By the end of the Second World War, much of the tramway infrastructure installed earlier in the century was overdue for costly replacement. Low petrol prices made its replacement with motor buses a cheap alternative.

Outside Blackpool, where trams were seen as a tourist draw, tramways in Britain went into decline. The last one, in Glasgow, closed in 1962. In North America, they were retained in several cities, but investment was low and usage declined. France, Spain and most of Italy saw their tramways go. Only in Germany, Belgium, Holland, Switzerland and Austria were tramways retained and developed.

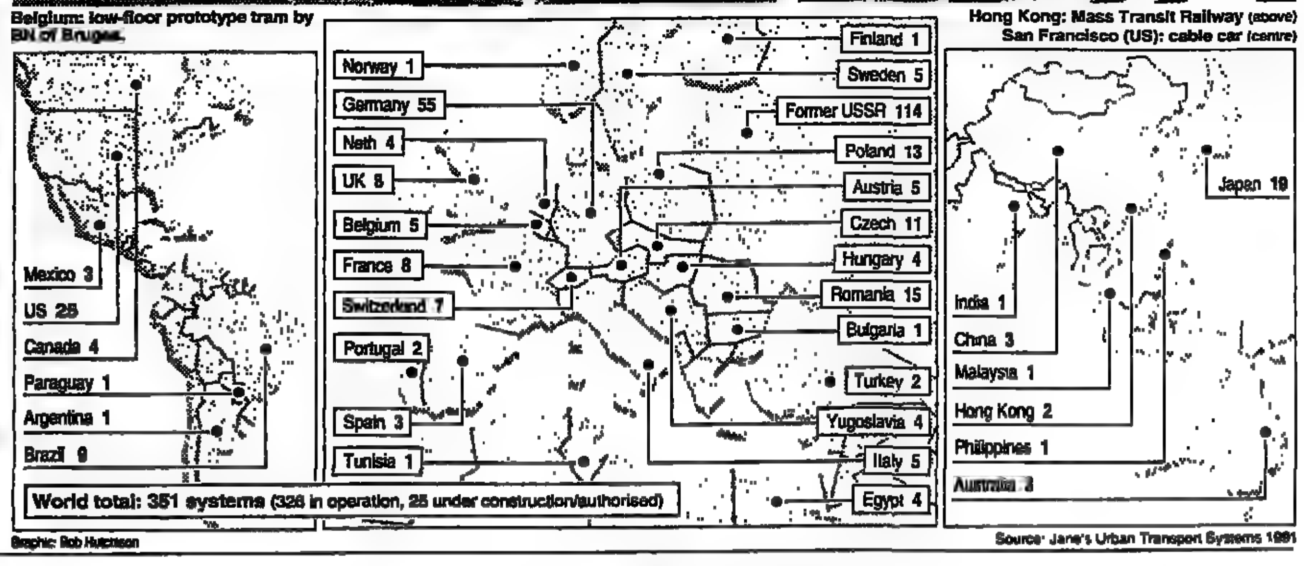
Now, however, the tram has come back into favour. Where once it was regarded as a noisy, slow and down-market means of transport reviled for obstructing other road users, perceptions have drastically changed.

Councillor Jack Flanagan, chairman of the Manchester Metrolink working party

World urban tram and light rail systems (excluding museum, rural and purely inter-urban lines)

Belgium: low-floor prototype tram by BN of Bruges.

Hong Kong: Mass Transit Railway (above)
San Francisco (US): cable car (centre)



Graphic: Bob Hutchison

Source: Jane's Urban Transport Systems 1991

Manchester's Metrolink: a testbed for Britain

The tram is making a comeback in the UK, while more than 300 tramway and light rail systems are already operating in Europe and the US, writes **Richard Tomkins,** Transport Correspondent

Today's tram bears little resemblance to its predecessor. More like a small train than the old wooden double deckers, it typically consists of a pair of single-deck cars running comfortably and quietly at speeds of up to 50 mph once it clears the city centre streets.

No longer is the tram regarded as an obstacle. Just the opposite: it is now promoted as a means of tempting people out of their cars and back on to public transport to help provide a solution to ever-worsening traffic congestion.

Because it is electrically powered, the tram is seen as environmentally friendly. It can also be used as a means of stimulating regeneration in depressed inner city areas, as with the Docklands Light Railway; and it adds a certain amount of prestige to a city's image.

It is this combination of factors which has led to a resurgence of interest in light rail. More than 300 systems are operating on the European Continent and in North America, with the tally growing fast. In the UK, such is the enthusiasm for them that about 40 towns and cities have projects on the drawing boards.

Getting those schemes off the drawing boards and on to the streets, however, can sometimes prove problematic. The UK has lagged far behind the rest of Europe in translating the dreams of its city planners into reality. The Docklands Light Railway and Tyne & Wear Metro were mainly conversions of existing "heavy" railway lines. All but the city centre sections of Manchester's Metrolink system, too, comprise former British Rail suburban lines. Projects involving large-scale construction of new infrastructure are proving much more difficult to progress.

The main obstacle is cash. Building new tramway systems is an expensive business (the first Metrolink line is costing more than £130m). In most cases it is too much to hope that the likely revenue streams from a completed light rail project will come close to covering the construction and financing costs, still less provide the promoter with a reasonable return. The result is that promoters – in most cases, local authorities – can only hope to proceed with the projects if they obtain central government grants towards the capital costs.

These grants – known as Section 56 grants because they are awarded under Section 56 of the Transport Act 1968 – are very difficult to procure. The government starts from the view that, where possible, public transport should be self-financing.

Where it is satisfied that overriding social objectives make an otherwise unviable project desirable, it is prepared to consider a grant: but in doing so, it requires the social benefits to be quantified in financial terms, and it will only include non-user benefits in the equation. (Users, it is assumed, will be ready to pay the full value of their benefits through the fare-box.)

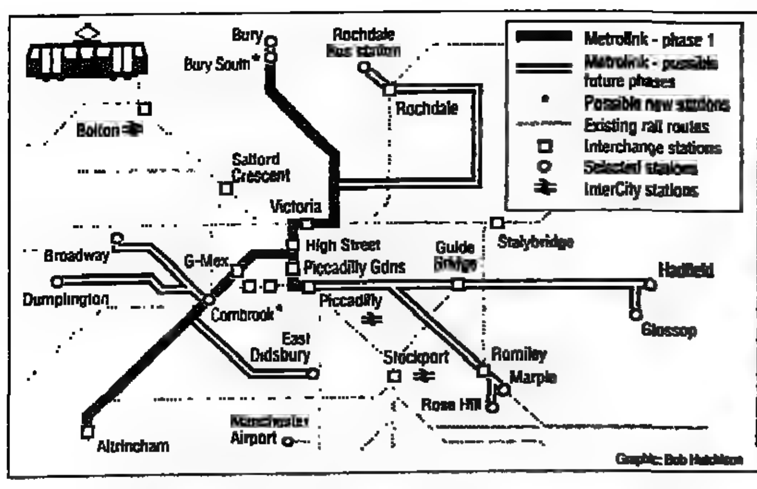
The main non-user benefit is relief of congestion to road users, but local authorities also try to quantify benefits to industry or such nebulous factors as enhancement of a city's image. The difficulty of quantifying such benefits leaves the Department of Transport endless scope for quibbling over the calculations and turning down applications. Even when an application succeeds, it then has to join a long queue of other public sector projects awaiting funds from a tight-fisted Treasury.

Critics contrast the system applied to new road schemes, where the absence of any direct mechanism for charging motorists means a different system of assessment has to be adopted. In this case, the user benefits are counted, mainly by putting a financial value on the time savings accruing to motorists. The department's forecasts of traffic growth make this such an easy test to pass that few road schemes ever fail it: so with the department's budget for road schemes more than 100 times greater than its budget for light rail schemes (more than £2bn a year compared with £20m a year), it is not surprising that many more roads than light railways are built.

What local authorities in Britain would like to see is something more akin to the Continental system, where public transport and road schemes are assessed on a comparable basis. The result of that policy is that half of western Europe's cities with populations of more than 500,000 already have some form of tram or light rail system. In Britain, only two schemes are in the pipeline after Manchester's: the Sheffield Supertram and the Midland Metro.

Continued on next page

LIGHT RAIL SYSTEMS 2



Expanding network planned for Manchester's Metrolink

Supertrams will run on rail lines and through streets

MANCHESTER'S new light rail link should be fully operational by the end of June – 153 years after the city first publicly acknowledged it needed something to do the job for which Metrolink is designed.

Although the first scheduled service of the Metrolink supertrams is due to begin today, it will only be between Bury, about seven miles to the north, and Manchester's Victoria Station, on the edge of the city centre. After four weeks of settling down, the trams will be able carry on from Victoria, arcing south and west through city centre streets to Deansgate Station.

Another four weeks, and Metrolink supertrams will start running on to Altrincham eight miles to the south, and back again to Bury. This will enable the city centre to be traversed by rail by through travellers, rather than just skirted, for the first time. Four more weeks later, in June, a spur will link the city centre's main shopping area with Piccadilly Station.

Where Metrolink is differs from most other tram systems is that its vehicles can run both on normal railway lines *and* through the streets. This means that Greater Manchester's mainly radial rail system will start to be transformed into a genuine network.

It has been a long time coming. Manchester boasts the world's first railway station, built in 1835 at Liverpool Road, and now part of a complex of science, engineering and heritage museums in the city centre.

It was the terminus for George Stephenson's railway between Liverpool and Manchester, then the fastest form of transportation on earth. It was a breakthrough that speeded up the industrial revolution, but as with many other important technological developments in the history of the world, Manchester was soon to prove that being first was not always an advantage.

In the course of the next 30 years, the city centre became ringed by railway termini, all separated from each other. Indeed, even before Piccadilly and Victoria Stations were built in 1842 and 1844 respectively, a rail tunnel was proposed to link the two embryonic stations on which they were based. It was never built; only this June will Metrolink start doing the job envisaged so long ago. Viaducts provide some inadequate links, but Manchester generally became a place where people went to by train. From 1877 they were able to get on horse-drawn trams to move about the city and connect between termini. In 1901, electric trams replaced the horses.

In the same year, the first circular tube railway around the city centre was mooted at a cost of £1.5m. Nothing materialised. The idea was raised again in 1912 but lapsed with the First World War, although the Bury line was electrified.

By 1928, a £14m underground network was being considered, with links to Salford, Stretford and Prestwich. Two years later and the cost was up £20m for a 35-mile network with inner and outer circles and radial routes.

Post-war priorities

Although the line to Altrincham was electrified in 1931, the slump and the Second World War put paid to any chances of the idea going ahead and in 1944 Manchester city council decided against a £38m, 24-mile underground railway because there were greater priorities for post-war reconstruction.

The tram era came to end throughout Greater Manchester between 1949 and 1951, but trolley buses continued until 1966. Meanwhile, Piccadilly Station was modernised in 1959, confirming its position as Manchester's main intercity terminus, but still unlinked to Victoria, less than a mile to the north and the main east-west station for the conurbation.

The age of the car and road transport had fully dawned. A measure of rail's decline is that although, by 1973, the forerunner to what is now the Greater Manchester Passenger Transport Executive (GMPTE) was still proposing a £160m tunnel to link the two main stations and form the base for a 20-mile light rapid transit network, the total cost of £160m was only a quarter of the highways budget for the same period, but was considered prohibitive.

The tunnel proposal was eventually dropped by Greater Manchester Council in 1977, although Councillor Jack Flanagan, chairman of the Metrolink working party, says that some still nurtured hopes for it as late as 1985.

In 1979, a new study was started by British Rail, GMPTE and the Department of Transport. The problem it addressed was the same one that had been confronting people for 140 years: ways had to be found to fill missing rail links in Manchester city centre and turn Greater Manchester's suburban, radial rail routes into a regional network.

A surface rail link, sweeping round the western fringe of the city centre between Salford and Deansgate, was approved by the government in 1985 and since 1988 has provided a through route across the conurbation between Wigan and Stockport.

The supertram concept of Metrolink also emerged from the study. Parliamentary powers were sought in 1984. The government promised to give money provided the private sector was involved. Development of the Deebom principle ensured this and the Bill passed its final stages in 1988. The contract to design, build, operate and maintain the system was signed two years ago.

Mr Roger Hall, deputy director-general of Metrolink, forecasts 10m passenger journeys a year – 4m each between Bury and Altrincham and 2m within the city centre.

The value to the city has already been recognised by the Central Manchester Development Corporation, which has put money into one of the five city centre stations.

These themselves are distinctive, with a "camel's hump" shape so that people who cannot easily use steps – including parents with pushchairs – can get up the gentle slope of the platform to its apex, level with each supertram's floor. Access from elsewhere on the platform is by retractable step.

The 26 supertrams will come at five-minute intervals in the rush hour, every 10 minutes at other times. There will be no conductors, but ticket inspection will be vigorous, with £10 on-the-spot fines for fare dodgers. Ticket machines have been installed at every station and multi-ride tickets will be widely available.

Five future routes are already envisaged, providing supertram links to Oldham and Rochdale in the conurbation's east and north-east, Chorlton-cum-Hardy and Didsbury in the south, Marple in the south-east, Glossop in the east and Salford Quays and Trafford Park in the west.

A new route into east Manchester to serve the stadia planned there – whether Manchester's bid for the 2000 Olympics succeeds or not – is also envisaged. The franchises to operate any or all of these will also be open to bidding by private sector consortia.

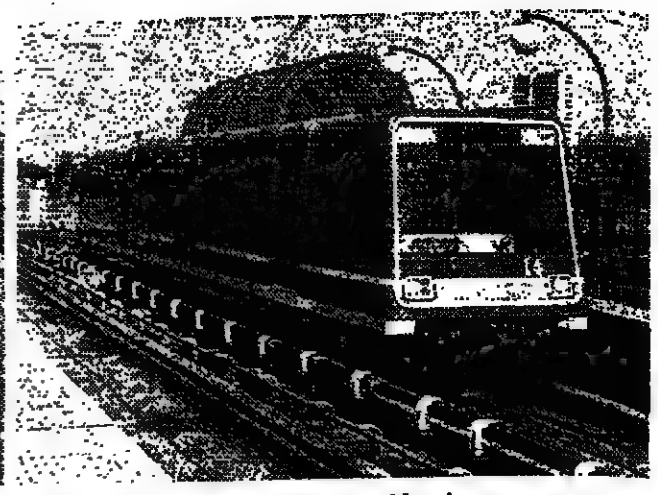
Long term, the impact on Greater Manchester – a conurbation of more than 2.5m people should be telling, particularly since Metrolink will improve access by public transport to Piccadilly station and the planned rail link from there to Manchester Airport.

Generally, however, a proper, efficient, public mass-transit system is essential to Manchester's development as Britain's second financial and professional centre after London and the widening recognition of it as the capital of northern England. The road infrastructure remains generally good, but most routes are crowded in rush hours and capacity limits will eventually jam up the city for long periods, hindering its development.

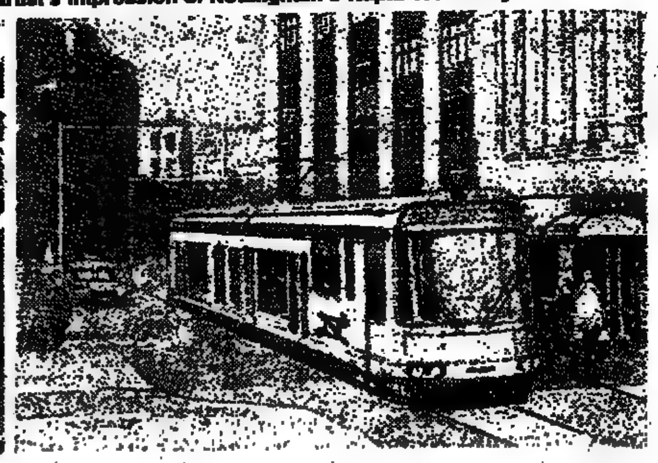
A remaining problem, however, will be the widespread British one of lack of co-ordination between different public transport services. The effect of bus deregulation is seen by Metrolink's political leadership as "complete disaster," with more buses competing for fewer passengers, charging higher fares and running more "dead" miles nearly empty.

Greater Manchester Buses, a 12.35 per cent shareholder in Metrolink, has had to face a series of redundancies and fare rises recently to stay solvent. Against this background, spreading Metrolink's net as quickly as possible, and running it hard and at full capacity cannot come too soon.

Ian Hamilton Fazey



Above, left: a mock-up of Siemens' supertram for Sheffield; top, right, the Docklands Light Railway, east London. Lower, left: passenger vehicle, Gatwick Airport; lower right, an artist's impression of Nottingham's Rapid Transit System.



Urban transport solutions: lessons drawn from Europe

New era for the tram in larger UK cities

THE OPENING of the Manchester light rail system sees trams finally return to the streets of Britain's great cities. After the Second World War the notion of street-running of railway systems was seen as cumbersome and intrusive, and trams were replaced by motor buses in one city after another.

London's last tram ran in July 1952 and the last system to close was Glasgow's, in September 1962 – leaving Britain bereft of trams, save for a few ferrying tourists by the sea in Blackpool; *(see page 4: Gone but not forgotten).*

The opening of the new era of the tram in Britain can be dated to a 1982 report into the options for a new railway to regenerate the London Docklands. Transport planners working on the report drew lessons from cities in Europe, such as Amsterdam and Zurich, that had retained and improved their tram systems.

They proposed a new light rail system for east London which would feature street running, including a stretch down the busy Mile End Road. As it turned out, when it opened in 1987 the Docklands Light Railway did not include any street running.

At the behest of the London Docklands Development Corporation, the new railway was built as a highly-visible automatic system, wholly-segregated from the streets on elevated track, with the aim of promoting the image of high-tech regeneration of the area. But the fact that London Transport – the premier urban transport operator in the country – had been thinking about street-running tramways in the early 1980s altered perceptions of the idea elsewhere in the country.

"We knew the big boys were thinking about it, so it must be OK," commented one planner in Manchester who began the conceptual studies for what was to become the city's Metrolink system.

By the late 1980s, with construction underway on the Manchester system, cities and towns throughout the UK began to see the modern tram as the solution to their transport ills. By early 1990, 50 UK towns either had firm plans or were considering proposals for a street-running light rail system, with towns as small as Gloucester and Chatham hankering after modern trams.

But coming as they do with a price tag of £100m or more apiece, it soon became clear that far from all these systems could be afforded – and, as this realisation has sunk in, the promoters of some of the more marginal schemes have begun to think in terms of cheaper options such as enhanced bus priorities.

However, the government has indicated that the taxpayer can afford to start one new light rail project each year, so some of the larger UK cities now have a real chance of regaining their trams. System number two after Manchester will be Sheffield, where main contractors Balfour Beatty have already begun building the £230m 'Supertram' line from the city centre to the Meadowhall shopping and sports complex.

Siemens is providing the vehicles which are expected to enter service on the first section of line at the end of next year, with completion of a 29km system in 1994.

In contrast to Manchester, which used mainly former British Rail lines, Sheffield's system is mostly new alignments on streets. Next in the queue is Birmingham, which has ambitious plans for a light rail network extending to 200km.

Detailed planning is underway on the first 21km route, which will use an old railway alignment between the centre of Birmingham and Wolverhampton – 1995 is the best bet for an opening date. Modern trams could return to the capital if Croydon's Tramlink proposals come to fruition. A Parliamentary bill was deposited last November as the first stage to gaining planning approval for a three-line, 29km system.

One hurdle to be jumped is the £140m cost: with so much Treasury money going into the conventional railway system in London, there is a strong predisposition in Whitehall to favour provincial light rail schemes in preference to any in the capital. In Croydon's favour, though, are projected passenger loadings of a completely different order to those expected in the northern cities. Indeed, revenue could be as much as double Tramlink's operating costs – which has led to hopes that just a little seed money from public sources could tempt the private sector to shoulder much of the cost.

In the provinces, jostling behind Birmingham are Nottingham and Leeds, both of which deposited Parliamentary bills last November. Nottingham's proposal is interesting in that it could provide the first example in Britain of light rail vehicles (modern trams) intermingling with British Rail trains on the same track – an idea which has been shunned on safety grounds so far, but which modern signalling systems could make feasible.

The practice is being pioneered in Karlsruhe, Germany, where light rail vehicles already run on German Railways tracks. One scheme that was a frontrunner in the British light rail race – but has slipped behind – is Bristol's Avon Metro.

This is being promoted by a joint venture of private and public sector interests who had an agreement with local bus company Badgerline, which was earmarked to operate the trams. Badgerline has since broken-off to promote its own scheme using guided bus technology from Belgian firm BN (now part of Bombardier Europe), and it is unclear which system will win.

Also in the queue for funds is Manchester's Phase Two, which would see Metrolink trams reach Trafford Park, Oldham and Rochdale. The cities so far mentioned are the most likely candidates to gain latterday trams. Several others – including Edinburgh, Kingston in the London suburbs and Glasgow – have advanced plans, with the latter in particular having a fair chance of seeing rails in the streets again by the end of the decade.

There is more realism in the British light rail movement about the chances of getting projects built than there was a couple of years ago – and the industry is now maturing beyond "the flavour of the month" into a rational answer to urban transport problems.

James Abbott

MIDLAND METRO: an artist's impression of an ambitious plan for a 200km light rail rapid transit system for the West Midlands. The first phase, costing £100m, is a 21km route from Birmingham Snow Hill to Wolverhampton. It should be operating by 1995. Line two, costing £180, will link Birmingham city centre and the National Exhibition Centre; line three will link Woverhampton, Walsall, Dudley and Brierley Hill.

Debate over fixed route systems

Continued from previous page

To some, Britain's hesitancy is well-founded. Prof Peter Hall, director of the Institute of Urban and Regional Development at the University of California, Berkeley, is one of a number of planners who have expressed reservations over light rail.

Too often, Prof Hall argues, trams take people where they do not want to go. Their fixed, radial routes are ill-suited to increasing demand for suburb-to-suburb journeys. Britain's planners and local councillors, he says, should visit the much more flexible system in Essen, Germany, where buses roam freely around the suburbs, then enter a fixed guideway giving passengers an express ride into the city centre.

John Hall, director of projects and infrastructure, Greater Manchester Passenger Transport Executive.

Set against that background, the Manchester Metrolink is a testbed for light rail systems in Britain.

If it proves popular with passengers, reduces congestion and operates without the need of crippling subsidies, it could soften the government's resistance to a plethora of look-alike schemes.

If it fails to achieve those objectives – and the possibility cannot be ruled out – the tram revolution, in Britain at least, could end as suddenly as it started.

EQUIPMENT MANUFACTURERS

Larger European suppliers now think in global terms

THE LAST five years has been an era of massive consolidation within Europe's railway manufacturing industry. Large businesses have been swallowing up their smaller rivals, with the electrical engineering companies – whose products make up the high value components of trains and trams – driving the deals.

To date, most railway procurement in Europe has been nationalistically driven, but the advent of the single European market increases the scope for cross-border deals.

Most of the large companies now think in European, or indeed global, terms. Overshadowing the market now are two huge multinational groups, Swedish-Swiss Asea Brown Boveri and Anglo-French GEC-Alsthom. These two have built up extensive railway manufacturing portfolios including signalling as well as traction; both have annual turnover of the order of £1bn.

ABB's Zurich plant is a significant producer of electrical equipment for light rail vehicles, and the company has important manufacturing capacity in Germany and Sweden – plus a stake in Brel, the former state-owned railway workshops in Britain.

GEC-Alsthom is famed as builder of France's high-speed TGV, but it also made the vehicles for the showpiece Grenoble tramway – and there are more such cars under construction for a new light rail route in northern Paris.

Meanwhile, the British side of the consortium has been a driving force behind the Manchester Metrolink project. The group owns factories in Spain and Belgium and has a collaboration agreement with the railway arm of Fiat in Italy.

Competing with these two multinationals are some large German companies. Siemens, a long-standing supplier of electrical equipment, has been expanding into mechanical engineering.

Three years ago it bought a majority holding in Dusseldorf-based Duewag, one of the largest light rail vehicle builders in the world and a major beneficiary of the light rail renaissance in North America.

Siemens has a foothold in the growing British market with a deal to build the vehicles for the Sheffield Supertram project. It could also acquire electrical equipment manufacturing capacity in this country: it has already expressed an interest in the rail side of Hawker Siddeley, should BTR decide to divest itself of this part of its recent purchase at some point in the future.

Acquisitions

Recent acquisitions by Siemens include a 51 per cent stake in Skoda of Czechoslovakia, a builder of electric locomotives which Siemens intends to expand to build suburban and metro trains as well, and a minority holding in SGP, one of the principal railway vehicle builders in Austria.

The railway activities of the Daimler-Benz empire have been consolidated under the AEG-Westinghouse umbrella, a collaborative venture in which Westinghouse of the US owns 19 per cent. This group makes airport people-movers and also owns MAN-GHH of Nuremberg, which manufactures for the light rail sector.

The third force in the German light rail market is Salzgitter-based Linke Hofmann Busch, which made the original cars for the Docklands Light Railway in London.

While the Americans virtually vacated the passenger railway manufacturing field in their flight to the car in the 1960s and 1970s and now largely have to rely on European and Japanese technology, the Canadians retain a stake in the shape of Bombardier of Montreal.

This aerospace and railway conglomerate has been buying up European manufacturing capacity and owns BN of Bruges, Belgium, an important supplier in the light rail field; the company is building 70 new vehicles to the Docklands Light Railway.

The Swiss, with their well-respected tramway operations, have niche suppliers of vehicles, although high labour costs limit the opportunity for exports.

Vehicle-builder Vevey has recently signed a collaborative agreement with French electronics firm Matra, whose automatic mini-metro systems have won acceptance in town centres such as Lille and in airport operations.

The Italians have gained a name for low-cost vehicle building; Breda has built for a number of US cities, and Firema was sub-contracted by GEC-Alsthom to build the vehicles for the Manchester Metrolink.

Subsidies from the Italian government lower export prices, but efforts to spread the political dividend can raise costs; for instance the Manchester order, amounting to just 26 vehicles, was spread over three factories.

An important contender in the low-cost field is CKD Tatra of Prague, which it is reckoned has built one out of every three tramcars in the world, thanks to the dominance of tramways in the former east bloc.

The introduction of dollar trading there has shattered that market, and Tatra is now seeking to penetrate western Europe. It already has a car undergoing trials on the Oslo tram system. Tatra has a new design of car due to make its debut in Prague this spring.

This will interest many cities as much of its floor is at a low level, to help boarding by elderly and disabled people – and the new vehicle thus competes directly with low-floor designs produced by western European builders.

Thanks to a huge new factory built in the last years of Communist rule and low labour costs, the Czech company is able to offer attractive prices; it is now seeking a joint venture with one of the western European majors to gain access to new technology.

Conspicuous mainly by their absence are the Japanese. Their penetration of the railway market has not been anything as pervasive as it has been in the automotive field.

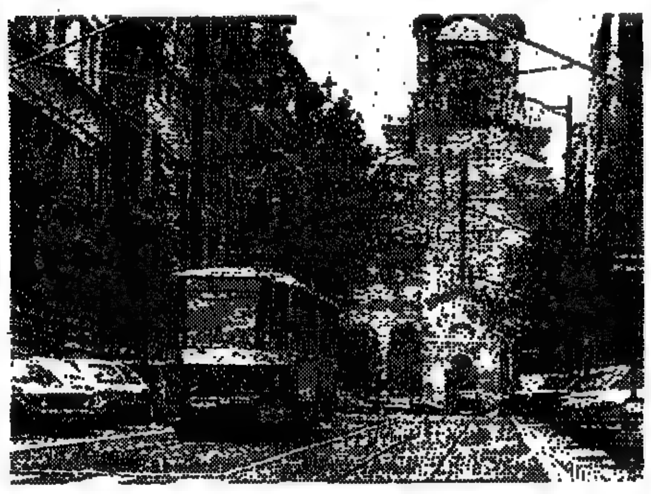
In the main European countries they have found it difficult to obtain a foothold, although one recent success has been Kawasaki's contract to supply bogies for the new trains for London's Central Line.

Japanese companies have had a greater presence in the US market, but this is now threatened by a wave of protectionist sentiment.

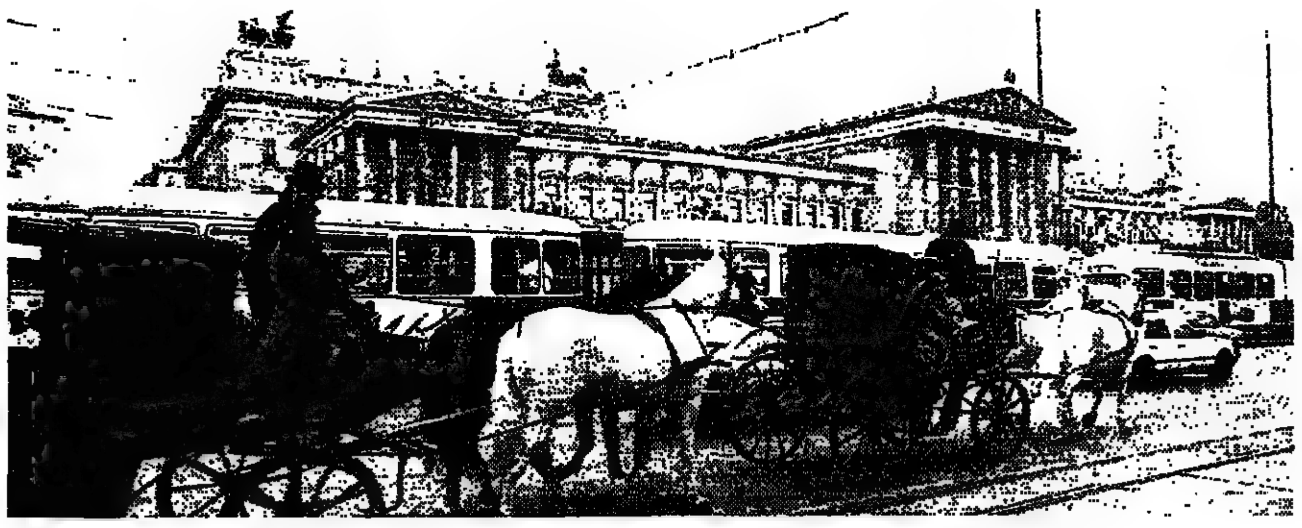
In January, a contract with Sumitomo to construct cars for Los Angeles' new Green Line was cancelled, and local politicians are now seeking to build their own factory in Los Angeles to make the vehicles.

James Abbott

The author is editor of Urban Transport International.



■ In France, a new low-floor light rail car, above left, in service at Saint Etienne. It was produced by GEC-Alsthom, in collaboration with Vevey of Switzerland, with bogies by Duewag of Germany.
■ In Germany, above, right: low-floor light rail vehicles from MAN operate in Munich, Augsburg and Bremen.
■ In Yugoslavia, lower right, there are four light rail systems. Pictured here is a tram in Belgrade. The former Soviet Union, with 114 systems, has the highest number in Europe.



Alongside trams, tourists travel in traditional carriages past the Parliament building in Vienna. Picture by Tony Andrews.

Case study: Vienna's successful light rail underground and tram services score highly for reliability and frequency

Big benefits of integration

VIENNA'S figures speak for themselves. In the decade to 1990, there was an increase of nearly 36 per cent in the numbers of passengers using its public transport system. The numbers rose from 450.7m people carried in 1981 to 611.8m in 1990.

This was in spite of an increase in numbers of cars in the city from 476,553 to 546,945 – up 15 per cent. The city's population grew slightly from 1.53m to 1.56m in the same period. Public transport in the Austrian capital was good, is good and is getting better.

It consists of a well-integrated system of trams, underground trains, other light rail vehicles, and buses. Single passes cover all forms of transport. There are no conductors, but stiff fines for fare-dodgers caught by inspectors. The system is reliable, with intervals as low as three minutes between services for much of each day.

It is the development of the underground that has transformed usage. There are now five lines and the network they form is being gradually extended or is having its gaps filled in. There are more than 40km of it now, but it has not come cheaply: the first three lines cost AS 18.4bn (£876m) at current prices between 1967 and 1983, while the next two cost AS 23m (£1.1bn) at current prices in the 1980s. Another AS 15.5bn (£740m) of public money has been made available for development in 1991-2000. There are more than 40km of it now, and about AS 15.5bn (£740m) of public money has been made available for development in 1991-2000.

The promise of an improved public transport system was one of the factors which helped persuade the United Nations to open its third major centre, after New York and Geneva, in Vienna during the 1970s – along with having Dr Kurt Waldheim, now president of Austria, as UN secretary-general at the time.

Several agencies, including those for drug control and industrial development, moved there. UNO City – part of a large, impressive complex of modern buildings that form the Vienna International Centre on what was once an island in the Danube – also houses the International Atomic Energy Agency.

The U1, the first underground line to be built, services the complex, which also includes the Austria Centre, a conference venue. The U1 runs from near the Sudbahnhof, a main railway terminus in the south of the city, to Kagran, on the east bank of Danube, passing under the city centre, where it links with three other underground lines and a host of tram and bus services.

The city centre itself is ringed cleverly by the underground. A western semi-circle is covered on a shuttle basis by the short U2 line, servicing the university, Rathaus, principal theatres and, via a shop-filled underground pedestrian passageway, the Opera.

The eastern semi-circle is on the U4, which starts in the northern suburbs at Heiligenstadt by the Danube and loops round the city centre to take a westward route along line of the river Wien, past the Schöbrunn Palace, to the Vienna woods.

Under construction and now partly open, the new U3 also passes under the city centre, in this case roughly east-west. Its extension to the Westbahnhof, the main intercity terminus, will open next year, providing a much-needed link between the station and the U1.

The Westbahnhof itself is on the Gürtel, the middle ring road around the city. The U6, the remaining underground line follows this, having been developed out of the light rail Stadtbahn and officially reborn as the U6 in 1989.

Vienna's main light rail system, however, remains the Strassenbahn – the tram. There are 247.5km of tramways, 35 routes and 991 tram stops. Some short-term residents in the city have found an easy means of learning their way round the city by taking a new tram route to its destination and back on Sundays.

There are no trams in the city centre itself, which is ringed, literally, by the Ring, a wide road built in the last century along the line of the encircling city walls after they had been demolished to allow Vienna, then a thriving imperial capital, to expand more easily.

One tram service goes round the Ring clockwise, another anti-clockwise, with several stops linking to underground stations. The city centre itself is almost entirely "walkable," but is also criss-crossed by mini-bus services.

To help passengers, there is a complimentary and comprehensive map of the city with all underground, tram, bus and regional commuter railway services imposed on it. It resembles a spider's web but colour-coding makes it easy to follow.

The general pattern of changing usage has been for tram passengers to decline slightly from more than 250m in 1981, when Stadtbahn (now the U6) figures were included, to 241.9m in 1990. But use of the Stadtbahn leapt from 28.7m in 1989 to 43m in 1990 after its conversion to the U6.

The shift and increase in

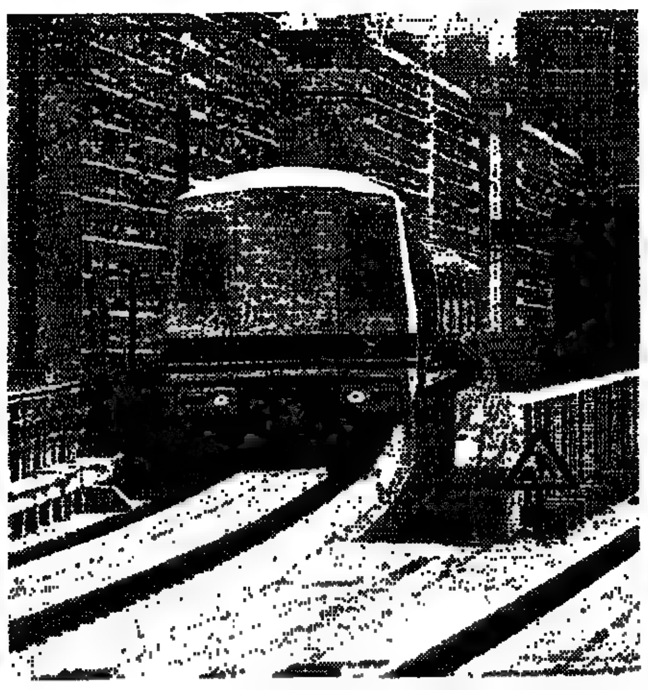
Continued on next page

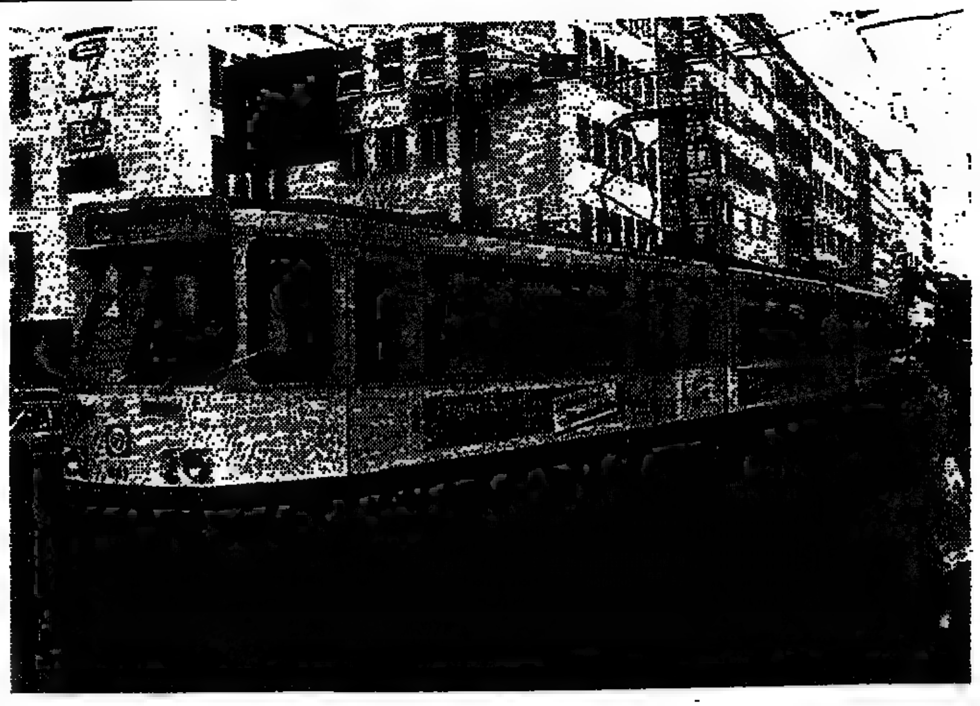
LIGHT RAIL SYSTEMS 4

☐ JAPAN leads the way in light rail systems in Asia and the Far East, with a total of 19 diverse systems now in operation. Pictured right, is an innovative system in Tokyo

☐ The successful Mass Transit railway in Hong Kong (centre) operates a three-line metro system on 43 route-kilometres with 38 stations, served by 671 cars formed into eight-car trains. Trains run at two-minute intervals in peak periods. At off-peak times, trains run every four minutes on all lines, carrying more than 2m passengers a day.

☐ In western Europe, Germany leads the way in light rail projects with 55 networks in operation. Frankfurt's tram system is pictured, far right.





Cities that left their old rail systems in situ are now applauded by planners, says **Karen Zagor**

Revival of interest in North America

LIGHT RAIL systems are undergoing a revival in north America as many big cities try to battle gridlocked streets and automotive pollution – decades after they tore out their tram lines in favour cars, buses and highways.

Los Angeles, Sacramento, Dallas, Austin, Baltimore and Miami are among the US cities in various stages of planning or constructing new light rail systems. This surge of interest in light rail public transport reflects growing congestion in the cities and increasing legislation to limit automobile-related air pollution.

Los Angeles, with some of the nation's most congested streets and most polluted air, is spending $150bn on a 30-year public transportation project. When it is completed, Los Angeles's mass transit rail network will be second only to New York's. The first completed portion of the project – a "Blue line" light rail service between Long Beach and downtown Los Angeles – has been running for more than a year. The Los Angeles transportation commission says the number of daily riders greatly exceeds its first year forecasts. The commission had expected 10,000 riders a day, but the figure is closer to 35,000.

Cities that left their light rail systems *in situ* are now being applauded by city planners for that decision. The streetcar system in Toronto is considered by many to be a model of how light rail can work effectively as part of an integrated public transportation system.

The city's first street car route was inaugurated 120 years ago on Younge Street. The early, horse-drawn streetcars carried 55,000 passengers a day by 1891.

During the 1960s, Toronto, like many other north American cities, had a programme to phase out streetcars. Some were eliminated, but the full programme was never implemented and by the early 1970s a decision was made to leave the remaining system in place.

According to Mr Ian Kingston, an engineer at the Toronto Transportation Commission (TTC), streetcars have a bigger capacity than buses, making them a preferable means of public transportation on some routes.

Speed is also an advantage for streetcars operating on private right-of-ways – "but speed is more limited on streets with mixed traffic," he says. Indeed, the main disadvantage of streetcars are their inability to drive around accidents and traffic jams. Advocates of streetcars often point to Portland, Oregon, as a model city. In Portland, streetcars have the right of way on city street. Drivers can override street lights using a mechanical control to change the lights.

According to the TTC, about 568,000 passengers travel on Toronto's subway every day, while about 900,000 passengers use surface transportation. The city does not break out the number of tram riders but the TTC runs 260 street cars which can carry up to 206 passengers apiece. About 22 of these cars date to the 1930s and were recently restored by TTC staff. The city hopes that the older, period cars will attract tourists to the system. In Toronto, the streetcar is just one leg of the city's integrated transportation system. There are ten streetcar routes covering 47 miles of route or about 94 miles of track, since each route needs two way tracks.

"In many cases people use the streetcars at the start or end of their trips as they travel to and from the subway," says a TTC spokesman. The city, which has long abandoned its plans to abolish the system, is now looking at the next generation of streetcars which will have a low floor so that passengers won't have to climb up three steps.

Putting in new systems, however, is considerably more difficult than up-grading an existing network. Controversy surrounds virtually any effort in the US to build new public transport systems. The problems begin at the Federal level, with funding for mass transit currently at the centre of a political budget battle.

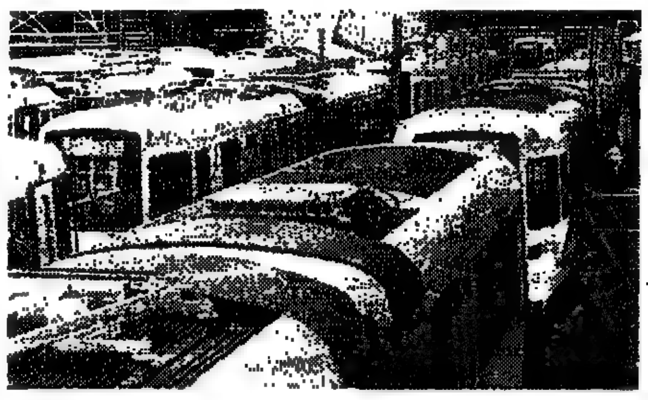
President George Bush's budget proposal would cut funding for surface transportation that was allocated in a recently-passed bill. The proposal is meeting opposition from several public transit authorities.

On the local level, new transport systems have become the focus of debate over urban planning and state funding. In Los Angeles, for example, plans for one leg of the city's light rail system became a lightening rod for mounting anti-Japanese sentiments fueled by frustrations over rising unemployment and the trade imbalance between the US and Japan. The city recently scrapped a $128m contract for driverless cars with Sumitomo of Japan, largely because of US/Japanese trade tensions.

And there is also the problem of weaning travellers from their cars. In San Francisco, for example, extra bus, ferry and train services were introduced in the wake of the 1989 earthquake which damaged some of the region's major freeways. But commuters are now back in their cars and public transport services are being scaled down to pre-earthquake levels.

Even Los Angeles's successful Blue line does not carry enough passengers to make a serious dent in traffic or pollution. But as Los Angeles and other cities press ahead with their transport plans, light rail systems will become an increasingly important part of public transportation in the US in 1990s.

Karen Zagor



Boeing Vertol's trolley car plant in Philadelphia

Mock-up of a Siemens-Duewag vehicle for a new light rail system in St Louis, Missouri, due to begin service next year.

Advantages in Vienna

Continued from previous page:

new passengers has been to the faster underground as the network has developed. The 106.7m underground passengers of 1981 had swelled to 202.8m in 1990, not including the 43m who used the U6 that year. Bus travel also increased – from 83m to 124m over the decade.

However, it is the figure for rides per population which show true popularity. In 1990, underground and trams were neck and with figures of 157 and 155 respectively, compared with 79 for buses.

Vienna also has a route that runs on the railway as well as through the streets – the Lokalbahn service between the Opera and Baden, 20 miles to the south.

This version of the super-tram has vehicles the same size as normal trams, but with a different seating configuration, and more comfortable seats for the longer journey.

The ultimate test of any city's public transport infrastructure, however, is whether it is possible to live there without a car. In fact, many who work for the UN, who do not need to travel round in the course of their work, and who live in or near the city centre, do so. Even Shopping City Sud, the main out-of-town retail centre, is served by the Lokalbahn to Baden. Some village inns and restaurants on the outskirts are easier to reach by car, but most are easily accessible by tram or bus.

Even when a car is needed for normal family uses or work, it is much more possible to manage with just one per household than the two which are necessary for an equivalent professional lifestyle in many parts of Britain.

Vienna's successful light rail underground and tram systems are what make these things possible. Their impact is therefore much wider socially and economically than just shifting people about.

Ian Hamilton Fazey

Early systems helped bring a revolution in urban transport

Gone but not forgotten

THE ZENITH of the tramcar industry in the US – once the world leader in light rail systems – was reached in 1916, by which time 18,000 miles of track were installed in urban areas. In the UK, by 1920, there were 14,000 trams in operation.

But despite important advances in tramway technology, especially between 1930 and 1950, these developments failed to stop the accelerating trend in tramway decline, mostly due to economic pressures upon operators.

Today, the only evidence of many once-famous light rail systems is to be found in transport museums.

What is claimed to be the world's most popular tramway collection is the UK's National Tramway Museum at Crich, located 15 miles north of Derby and six miles from Matlock, which last year attracted 133,000 visitors – achieving a higher figure than many larger transport museums in the US.

There are 50 electric and horse-drawn trams at Crich, of which 20 are still operational. Most have been painstakingly restored by staff and enthusiastic volunteers.

Beyond the UK, there are specialist museums in the US, Australia, New Zealand, Sweden, Holland and Prague.

The world's oldest tramway collection is the Seashore Trolley Museum, founded in the US in 1939, at Kennebunkport, in the state of Maine – which, incidentally, is very close to retreat of President George Bush. The Seashore Museum is one of 80 light rail museums in the US, but the largest tram display in the US, in terms of rolling stock, is at Union, Illinois, 60 miles west of Chicago.

One of Britain's most famous operational tramways is in Blackpool, Lancashire. Opened in 1885, this was the first street tramway in the UK; it ran on electric current, fed to cars via steel-troughing in the road.

In South Wales, a famous tramway operation – similar to Blackpool's – ceased to run in Swansea in January 1960; known as the Swansea and Mumbles Railway, it was the first passenger-carrying rail service in the world.

Although it began as a horse-drawn operation in 1807, the system was electrified in 1929. The service ran from the centre of Swansea along the bay to Oystermouth and Mumbles Head.

In Cardiff, where the last electric tram ran on February 20, 1950, the corporation issued souvenir tickets with a nostalgic verse on the back.

It read:

Goodbye my friends, this is the end; I've travelled miles and miles,
And watched your faces through the years,
show anger, tears and smiles,
Although you've criticised my looks – and said I was too slow,
I got you there and brought you back, through rain and sleet and snow.

Today, however, a consultant's study for a new £100m bus/tram scheme is under consideration for Cardiff. The plan is based on a Belgium-designed guided light travel system that operates as a bus *and* a rail network.

The tramcar, introduced to Britain from the US in 1860, was a big advance on the horse-drawn bus

For researchers, the libraries and archives of the National Tramway Museum and the London Transport Museum are both outstanding sources of reference for urban transport history.*

Along with long-distance rail networks, local light rail systems helped to revolutionise economic and social life in cities as people travelled easily outside their own districts for business and pleasure.

What is known as a trolley car or streetcar in the US is called a tram in the UK. However, defining a light rail system is not easy – but as a chief inspector of railways said in the mid-1970s: "It's a light railway if I *say* it's a light railway."

What is evident, however, is that these systems have a colourful history. For example:

☐ The tramcar was introduced to Britain from the US in 1860 and marked a great advance on the contemporary horse-bus, (introduced in Paris in 1819). Tramcars with rails gave a far smoother ride than road vehicles of the day.

☐ The cable car, invented by Andrew Hallidie, was introduced in San Francisco in 1873. Cars were drawn by cables running between rails.

☐ In Italy, the famous steam tramway between Milan and Magenta opened in 1879 – and operated until 1957.

☐ Electric street tramways appeared in Berlin in 1881 and became popular in many cities.

☐ The UK's first electric street tram ran at Leytonstone, east London, in March 1882.

☐ In the US on May 9, 1900, striking transport workers blew up a tramcar during riots in St.Louis.

☐ That same year, in London on June 27, London's Central Railway "Tuppeny Tube" first ran from Shepherd's Bush, in west London, to the Bank.

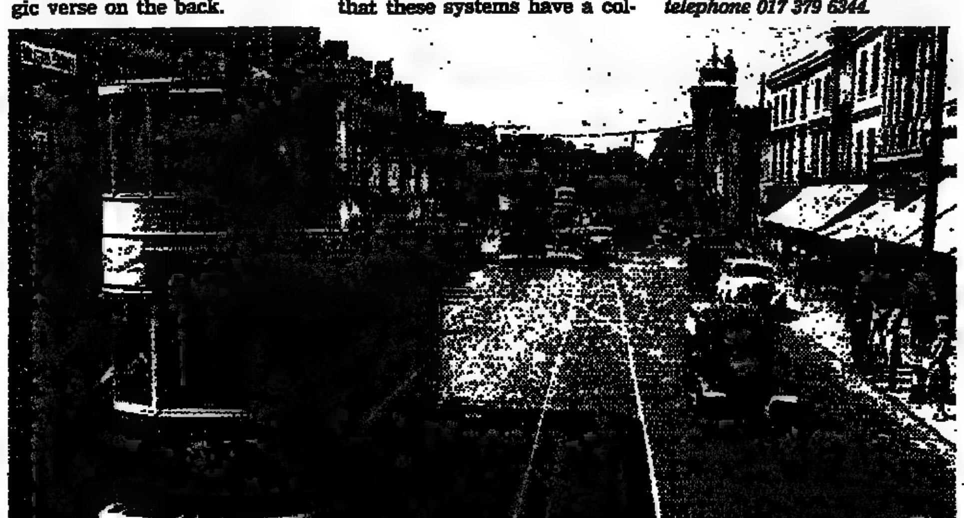
☐ Japan's first electric tramway was opened by an American company in Kyoto in the early 1890s.

☐ Fifty striking tram crew members were sentenced to decapitation in Shanghai, China, in April 1927.

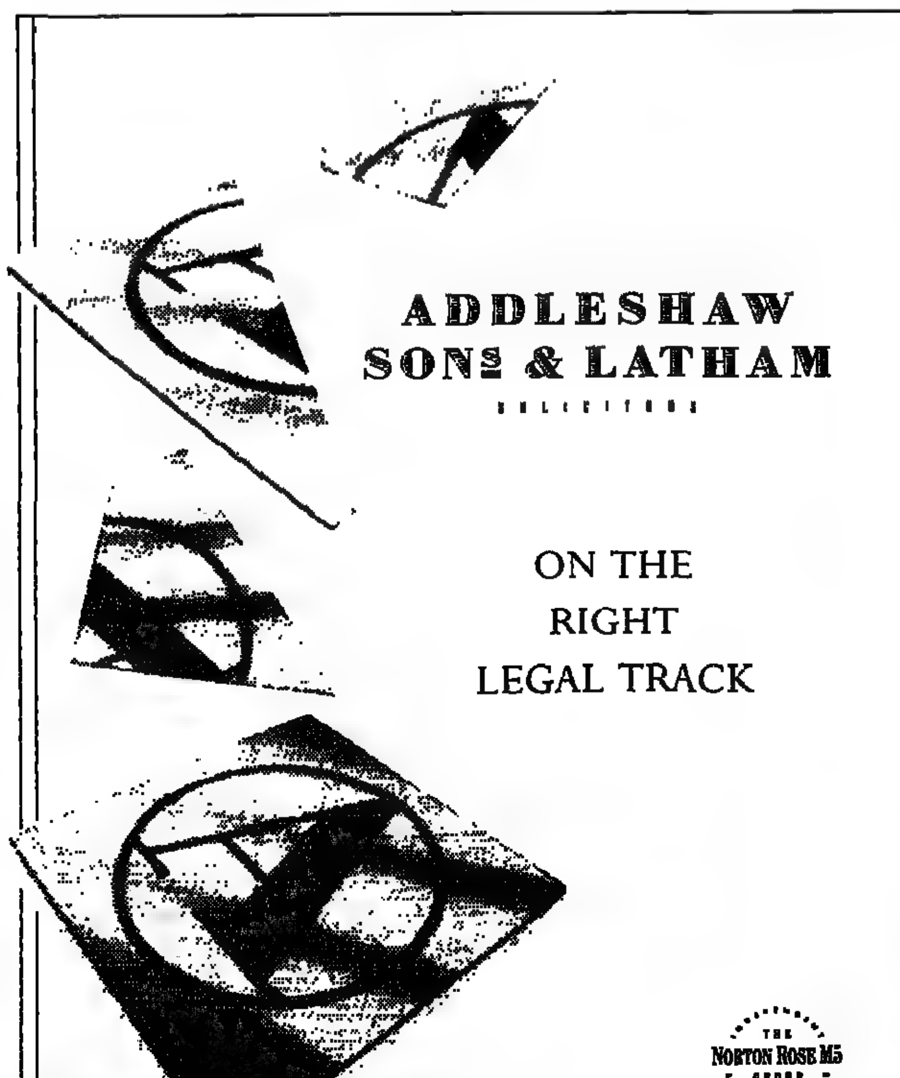
☐ Paris closed its streetcar lines in the 1930s; London's last tram ran in July, 1952; Leeds tramways closed in 1959.

Michael Wiltshire

** For archive services, contact the National Tramway Museum, Crich, Matlock, Derbyshire, DE4 5DP, telephone 0773.852.565; and the London Transport Museum, Covent Garden, London, WC2E 7BB, telephone 017 379 6344.*



Cardiff's electric trams in Queen Street on August 1, 1940 – headlamps were shaded as an air raid precaution. A decade later, the city's trams were pulled out of service, but today a new £100m bus/tram plan is under review. Picture by H.B.Priestley; National Tramway Museum.



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Aberforth Unit Trust Managers Ltd (1600)F

Abtrust Unit Trust Managers Ltd (1200)H

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Newton Fund Mngrs Ltd (1200)F

National Provident Inv Mngrs Ltd - Contd.

National Provident Inv Mngrs Ltd (1400)H

Marks & Spencer Unit Trust Ltd (1200)F

Save & Prosper Group (0900)H

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

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Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh						031-226 3271
American ♥	5	289 8	289 8	309 4	0 74	41410
(Accum Units) ♥	5	341 1	341 1	364 2	0 74	41411
British	5	751 9	769 9	814 6	6 14	41416
(Accum Units)	5	1260 9	1291 1	1366 1	6 14	41417
European	5	343 0	343 0	365 1	1 38	41418
(Accum Units)	5	371 8	371 8	395 8	1 38	41419
Japan	5	93 84	93 84	99 84	-	41420
(Accum Units)	5	94 59	94 59	100 6	-	41422
New Pacific	5	196 9	196 9	210 6	1 64	[illegible]
(Accum Units)	5	202 2	202 2	216 3	1 64	47754
PEP Apr 1	5	142 1	143 6	152 0	4 03	47588
Mngd Equity	5	121 2	122 5	129 6	2 86	47586
Mngd Equity Acc	5	128 6	130 0	137 5	2 86	[illegible]
Mngd Cash	0	95 42	95 42	95 42	10 02	47585
(Accum Units)	0	119 8	119 8	119 8	10 02	[illegible]
Majority Stlg	1	99 47	99 47	100 46	9 80	42703
Majority Stlg Acc	1	110 21	110 21	111 31	9 80	[illegible]
Storebrand Intl Inv Mngrs Ltd (1200)F						
Admin 5 Rayleigh Rd Hutton Brentwood Essex						
Enquiries 0277 227300 Dealing 0277 261010						
International Mar 13	0	50 61	50 61	51 01	2 69	[illegible]
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
St Mark's Court Horsham						0403 232323
Equity	6	568 7	576 3	616 4	3 35	41423
North American	6	84 81	84 81	90 71	0 30	41424
Far East	6	84 00	84 00	89 80	0 72	41425
[illegible]	6	47 48	47 48	50 51	5 76	41426
European	6	68 89	68 89	73 68	1 62	41429
Equity Income	6	61 26	61 26	65 52	6 52	41430
Portfolio	6	56 46	56 46	60 39	2 49	41431
Worldwide Growth	6	47 00	47 00	50 00	2 23	47736
Sun Life of Canada Unit Mgrs Ltd (1000)H						
Basingview Basingstoke Hants						0800 525725
American Growth	6	26 91	26 91	28 79	0 60	47795
Managed Assets	6	96 54	97 16	103 92	4 35	44067
UK Income	6	28 86	29 26	31 30	5 19	41432
UK Growth	6	29 05	29 39	31 44	4 08	41433
Worldwide Growth	6	23 40	23 40	25 03	1 00	41434
Sun Life Trust Mngmt Ltd (1200)H						
101 Cannon St, London EC4N 5AD						
Admin & Enq 071-606 4044 Dealing 071-606 6010						
Master Portfolio	5½	32 21	32 21	34 45	1 87	41435

	Bid Price	Offer Price	Yield Gross	City-line
M & G Securities Ltd				
Charibond Apr 2	101 15		10 66	40883
(Accum Units)	612.59		10 66	40884
NAACIF Mar 31	39 75		9 75	46917
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity Mar 31	126 1	134 6	2 01	46925
UK Small Co Mar 31	[illegible]	549 6	3 65	46926
Fixed Interest Mar 31	111.0	116 7	8 58	46920
US Small Co Mar 31	172 3	184 2	0 00	46927
Managed Mar 31	106 6	114 1	3 49	46924
Intl Bond Mar 31	121.6	128.3	10.00	47790
Japan Mar 31	61 81	65.91	4 45	47877
European Mar 31	92.24	98 68	1 72	47876
Nth American Mar 31	120 4	129 4	[illegible]	47878
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Apr 1	55 96	58 31	1 78	41064
Euro Expt Apr 1	54.29	57.01	2.24	41065
Fixed Int Ex Apr 1	46 75	47 91	[illegible]	46594
Japan Expt Apr 1	37 77	39 29	0 84	41066
Managed Ex Apr 2	43.35	45 09	[illegible]	41067
SE Asia Expt Apr 1	76.59	80 42	2 48	41068
Sm Cos Expt Apr 1	34 48	36.21	3 69	41069
UK Eqty Ex Apr 1	42.19	44.30	4 09	41070
Phillips & Drew Fund Management Ltd				
Small Co's Mar 4	656 40	698.79	4 04	41138
Do Accum	761 43	810 61	[illegible]	41139
Int Expt Mar 26	189 56	193.56	1 72	41140
UK Index Mar 4	1135.99	1150 06	4.53	46945
Do Accum	1258.32	1273 91	4.53	46946
Convertible Mar 30	94.36	97 51	8.34	46938
Worldex UK Index Mar 31	762.36	771.32	2 03	47887
Do Accum.	762.35	771.32	2.03	47888
Japan Index Mar 31	477 26	484 54	0 86	47881
Do Accum	479 15	486 45	0 86	47882
USA Index Mar 31	1058.50	1065 66	2.81	47885
Do Accum	1103 34	1110 80	2.81	47886
European UK Index Mar 31	915.92	930 06	3 06	47879
Do Accum	952.51	967 22	3 06	47880
Pacific ex Jap Index Mar 31	1095.20	1083.82	3.35	47883
Do Accum	1121 60	1152.02	3.35	47884
Managed Exempt Mar 26	106 20	108.21	4 95	40338
American Exempt Mar 26	139.30	141.70	3.42	40574

	Bid Price	Offer Price	Yield Gross	City-line
Lifetime Assurance Co Ltd				
Bank Hse, St John's Rd, Harrow HA1 2EE				081-861 5999
Managed Security	111.9	117.8	-	44593
Managed Growth	121.4	127.8	-	44594
Managed Opportunity	110 0	115 8	-	44595
Property	113.8	119.8	-	44598
Fixed Interest	118 5	124.5	-	44600
Cash	114 2	120.3	-	44614
UK Equity	107.1	112.8	-	44631
Intl Equity	121.4	127.8	-	44632

	Bid Price	Offer Price	Yield Gross	City-line
NEL Britannia Assce Co Ltd				
Milton Court, Dorking, Surrey				0306 880077
Capital Growth	124.3	130.8	-	43035
Managed Income	103 7	109.2	-	43036
Cap Gwth Ser B	107 8	113 5	-	46330
Mngd Income Ser B	106.3	111.9	-	46331
Broker Managed				
PAM Global Growth Fd	117 9	117.9	-	47609
PAM Growth Fund	103 6	109.0	-	[illegible]
Multichoice Investment Funds				
Managed Bldg Soc	126.5	133.2	-	47140

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Norwich Union Life Insurance Soc.–Contd.

Pensionvestor* & Unit-Linked Plan*

	Bid Price	Offer Price	Yield Gross	City-line
Mixed Fund	433.2	456.0	–	43233
Ordinary Share Fund	646.6	680.6	–	43229
International Fund	170.0	178.9	–	43230
Property Fund	258.3	271.9	–	43231
Fixed Interest Fund	388.8	409.3	–	43227
Index-Linked Sec Fund	187.6	197.5	–	43228
Deposit Fund	278.9	293.6	–	43232
Norwich Units Mar 14	1048.63		–	43234

*Prices as at March 31

Jersey Investment Plan

	Bid Price	Offer Price	Yield Gross	City-line
With Profits Fund	123.18	129.66	–	40525
Intl Equity Fund	91.09	95.89	–	40438
Intl Bond Fund	120.72	127.07	–	40349

Norwich Union Pensions Management Ltd

Surrey Street, Norwich, NR1 3NG 0603 683335

Pooled Pensions

	Bid Price	Offer Price	Yield Gross	City-line
Balanced Managed Fd	[illegible]	[illegible]	–	44391
Growth Managed Fd	101.26	103.06	–	44395
Sentinel Managed Fd	101.36	102.77	–	44399

Prices as at April 3

Pearl Assurance (Unit Funds) Ltd

[illegible] Wood, Peterborough PE3 6SA 0733 63212

	Bid Price	Offer Price	Yield Gross	City-line
Prop. Dist. (Gross)	[illegible]	141.0	–	43235
Prop Acc. (Gross)	[illegible]	268.7	–	43236
Equity (Gross)	[illegible]	864.4	–	43237
Managed (Gross)	578.3	608.7	–	43238
Prop Acc. (Net)	121.9	128.3	–	43239
Equity (Net)	191.4	201.5	–	43240
Managed (Net)	178.9	188.4	–	43241
International (net)	163.4	172.1	–	43242
Gilt & Fxd Interest	131.0	137.9	–	43243
Money Fund	137.6	144.9	–	43244
Mixed Fund (Cap)	114.5	120.6	–	[illegible]
Mixed Fund (Acc)	118.0	124.3	–	[illegible]

Pearl Assurance (Unit Linked Pens) Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Ret. Man (Series 1)	630.8	664.0	–	43245
Ret. Man (Series 2)	213.9	225.2	–	43246
Ret. Cash	192.7	202.8	–	43247

Provident Mutual Life Assc. Assn.–Contd.

	Bid Price	Offer Price	Yield Gross	City-line
Fixed Interest Ord	215.3	226.6	–	43494
Fixed Interest Init	158.3	166.6	–	43495
Deposit Ord	183.9	193.6	–	43496
Deposit Init	135.3	142.4	–	43497
Pension Funds				
Managed Ord	440.1	463.3	–	43498
Managed Init	323.6	340.6	–	43499
Equity Ord	653.1	687.5	–	43500
Equity Init	480.3	505.6	–	43501
Pen Ind Lkd Gilt Ord	177.6	186.9	–	43502
Pen Ind Lkd Gilt Init	136.4	143.6	–	43503
Overseas Equity Ord	310.0	326.3	–	43504
Overseas Equity Init	227.9	239.9	–	43505
Property Ord	278.5	293.2	–	43506
Property Init	204.8	215.6	–	43507
Fixed Interest Ord	272.7	287.1	–	43508
Fixed Interest Init	200.6	211.2	–	43509
Deposit Ord	262.5	276.3	–	43510
Deposit Init	193.1	203.3	–	43511

Prudential Assurance Co

Holborn Bars, London EC1N 2NH 071-405 9222

Prufund

	Bid Price	Offer Price	Yield Gross	City-line
Managed Mar 11	251.6	262.1	–	43512

Prudential Corporate Pension Funds

1 Stephen St, London W1P 2AP 071-548 3281

Prudential Managed Funds

	Bid Price	Offer Price	Yield Gross	City-line
Discretionary Mar 02	£178.66	184.17	–	43539
Equity Mar 02	£280.63	287.52	–	43540
International Mar 02	£27.71	28.29	–	43541
Intl Bond Mar 02	£14.70	14.89	–	43542
Fixed Int Mar 02	£98.56	99.66	–	43545
Index Linked Mar 02	£70.74	71.43	–	43544
Property Mar 02	[illegible]	[illegible]	–	[illegible]
Cash Mar 02	[illegible]	[illegible]	–	43546

Pru-Linked Retirement Plan

	Bid Price	Offer Price	Yield Gross	City-line
Managed Apr 01	433.4	451.5	–	43547
Cash Apr 01	276.6	288.2	–	43548

Scottish Amicable

150 St Vincent St, Glasgow 041-248 2323

Sun Alliance Group

St Mark's Court Horsham 0403 232323

Wesleyan Assurance Society

Colmore Circus, Birmingham, B4 6AR 021-200 3003

Windsor Life Assur Co Ltd

Windsor House, Telford, Shropshire 0952 292929

Providence Capital International Ltd – Contd.

Royal Life Intl. Ltd

J. D. Ward Financial Services Ltd

9 Kingsway, London, WC2 B6XF. 071-836 4321

Rothschild Asset Management – Contd.

Daily Dealings *Weekly dealing

Royal Bank of Canada Funds

RBC Offshore Fund Managers Ltd

PO Box 246, St Peter Port, Guernsey 0481 723021

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

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SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES AND MONEY MARKETS

Tense week for £

THIS WILL be a tense week for sterling if last week's wobbles were an indication of what is in store.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

Rumours of a sterling crisis began to circulate wildly towards the end of last week on newspaper stories that Middle East countries were dumping sterling.

Earlier in the week a string of opinion polls giving Labour a decisive lead had failed to upset the UK currency.

Dealers said much of sterling's early strength could be attributed to the commitment of the three main parties to maintaining the pound's current value within the ERM and the widening of inter-bank interest rate differentials between the pound and the D-Mark.

As for nervous Middle East investors alleged to be selling sterling, many analysts poured scorn on the story. Mr Peter Luxton, senior economist at Barclays, said Middle East dealers were unlikely to act alone, but would wait for the reaction of domestic investors after the election before taking a decision on sterling.

The rumours, along with worries over the next set of opinion polls and a strengthening of the D-Mark within the ERM, meant that sterling ended the week considerably lower. It closed on Friday night at DM2.8350.

However, this weakened rate still leaves it some 6 pfennigs above its effective floor within the ERM. Indeed, many analysts are beginning to question the widely accepted belief that sterling will fall sharply if the Labour party wins power either outright or in a hung parliament.

One US bank analyst said he thought the market had a great deal of respect for the strength of the EMS system, with huge scope for sterling profits on the upside and little but danger on the downside.

£ IN NEW YORK

Apr 3	Close	Previous Close
£ Spot	1.7430-1.7440	1.7305-1.7315
1 month	0.94-0.92pm	0.94-0.92pm
3 months	2.86-2.83pm	2.86-2.83pm
12 months	10.08-9.98pm	9.90-9.80pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Apr 3	Previous
8.30 am	89.9	89.9
9.00 am	89.9	89.9
10.00 am	89.9	89.9
11.00 am	89.9	90.0
Noon	90.0	90.0
1.00 pm	90.0	90.0
2.00 pm	90.0	90.0
3.00 pm	90.0	90.0
4.00 pm	90.0	89.9

CURRENCY MOVEMENTS

Apr 3	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.0	-21.7
U.S Dollar	64.7	-13.3
Canadian Dollar	100.8	-1.6
Austrian Schilling	110.2	+12.4
Belgian Franc	112.0	-1.7
Danish Krone	109.4	+8.2
D-Mark	119.3	+25.3
Swiss Franc	105.7	+13.8
Dutch Guilder	115.0	+16.5
French Franc	104.3	-12.2
Lira	98.8	-19.9
Yen	137.6	+70.9
Peseta	106.9	-18.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100. **Rates are for Apr.2

OTHER CURRENCIES

Apr 3	£	$
Argentina	1.7248 - 1.7275	0.9905 - 0.9915
Australia	2.2665 - 2.2685	1.3040 - 1.3050
Brazil	3529.95 - 3532.30	2026.95 - 2027.15
Finland	7.7875 - 7.8175	4.5650 - 4.5750
Greece	328.150 - 333.400	188.910 - 191.900
Hong Kong	13.4400 - 13.4530	7.7390 - 7.7410
Iran	2495.00*	1430.00*
Korea(Sth)	1330.05 - 1351.45	770.40 - 779.40
Kuwait	0.51300 - 0.51400	0.29450 - 0.29500
Luxembourg	58.45 - 58.55	33.50 - 33.60
Malaysia	4.4675 - 4.4795	2.5745 - 2.5765
Mexico	5256.90 - 5268.65	3058.00 - 3059.00
N.Zealand	3.1720 - 3.1755	1.8250 - 1.8270
Saudi Ar	6.4720 - 6.5485	3.7495 - 3.7505
Singapore	2.8725 - 2.8795	1.6570 - 1.6590
S.Af (Cm)	4.9890 - 4.9995	2.8770 - 2.8785
S.Af (Fn)	6.0245 - 6.1985	3.4660 - 3.5275
Taiwan	43.80 - 44.00	25.35 - 25.45
U.A.E.	6.3370 - 6.4140	3.6715 - 3.6735

*Floating rate. Iran Official rate:£114.90 $67.00.

CURRENCY RATES

Apr 3	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.791248	0.717646
U.S Dollar	3.50	1.36609	1.24784
Canadian $	7.36	1.62947	1.48618
Austrian Sch	7.50	15.8972	14.3614
Belgian Franc	8.50	46.4641	41.9930
Danish Krone	9.50	8.76142	7.92255
D-Mark	8.00	2.25664	2.04060
Dutch Guilder	8.50	2.54065	2.29755
French Franc	10¼	7.64874	6.91304
Italian Lira	12	1702.99	1541.08
Japanese Yen	4.50	184.081	166.924
Norway Krone	-	8.86620	8.02113
Spanish Peseta	-	142.945	129.608
Swedish Krona	10.00	N/A	7.41530
Swiss Franc	7.00	2.06184	1.86428
Greek Drach	19	262.405	238.038
Irish Punt	-	N/A	0.767903

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Apr.2

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev.
Jun	99-24	100-01	99-10	99-07
Sep	98-22	98-30	98-09	98-06
Dec	97-22	97-29	97-13	97-07
Mar	96-25	96-30	96-21	96-11
Jun	95-30	96-02	95-25	95-18
Sep	95-06	95-08	95-05	94-26
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100

	Close	High	Low	Prev.
Jun	0.7494	0.7508	0.7458	0.7467
Sep	0.7491	0.7500	0.7460	0.7465
Dec	0.7494	0.7500	0.7470	0.7470
Mar	0.7503	0.7500	-	0.7484

DEUTSCHE MARK (IMM) DM125,000 $ per DM; **U.S. TREASURY BILLS (IMM) $1m points of 100%**; **THREE-MONTH EURODOLLAR (IMM) $1m points of 100%**; **BRITISH POUND (IMM) $ per £**; **STANDARD & POORS 500 INDEX**; **SWISS FRANC (IMM) SFr 125,000 $ per SFr**

[illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
1.675	6.85	6.95	7.15	7.60	0.02	0.88	1.77	4.47
1.700	4.38	4.90	5.25	6.02	0.20	1.55	2.59	5.68
1.725	2.33	3.25	3.72	4.70	0.56	2.53	3.74	7.09
1.750	0.89	2.11	2.56	3.61	1.65	3.86	5.20	8.63
1.775	0.25	1.26	1.79	2.73	3.47	5.55	6.89	10.35
1.800	-	0.70	1.16	2.12	5.74	7.51	8.74	12.21
1.825	-	0.35	0.71	1.57	8.07	9.60	10.80	14.19

Previous day's open int: Calls N/A Puts N/A (All currencies)
Previous day's volume: Calls N/A Puts N/A (All currencies)

POUND SPOT - FORWARD AGAINST THE POUND

Apr 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7350 - 1.7445	1.7430 - 1.7440	0.93-0.91cpm	6.33	2.86-2.83pm	6.53
Canada	2.0650 - 2.0770	2.0750 - 2.0760	0.65-0.58cpm	3.56	1.29-1.19pm	2.39
Netherlands	3.1875 - 3.2025	3.1875 - 3.1975	¼-⅛cpm	0.94	1-¾pm	1.10
Belgium	58.35 - 58.55	58.45 - 58.55	6-1cpm	0.72	20-15pm	1.20
Denmark	11.0175 - 11.0475	11.0175 - 11.0275	¾-⅛orepm	0.54	2¾-1⅝pm	0.82
Ireland	1.0650 - 1.0730	1.0695 - 1.0705	0.01-0.03cdis	-0.22	0.03-0.10dis	-0.24
Germany	2.8325 - 2.8500	2.8325 - 2.8375	¼-⅛pfpm	0.79	⅞-⅝pm	1.06
Portugal	244.20 - 245.75	244.35 - 245.35	49-62cdis	-2.72	153-174dis	-2.67
Spain	180.30 - 180.70	180.35 - 180.65	25-33cdis	-1.89	64-76dis	-1.55
Italy	2137.25 - 2146.25	2140.50 - 2141.50	1-3liredis	-1.12	5-8dis	-1.21
Norway	11.1950 - 11.2350	11.2050 - 11.2150	1⅛-⅛orepm	0.74	2-1¼pm	0.58
France	9.5950 - 9.6325	9.6050 - 9.6150	½-¼cpm	0.47	2⅛-1⅜pm	0.81
Sweden	10.3050 - 10.3675	10.3125 - 10.3225	⅛-⅞oredis	-0.65	⅜-1⅞dis	-0.53
Japan	231.50 - 233.25	232.00 - 233.00	1⅛-1ypm	5.48	2⅞-2⅝pm	4.30
Austria	19.93 - 19.99	19.94 - 19.97	2¼-1⅛gropm	1.01	8¼-6¼pm	1.45
Switzerland	2.5900 - 2.6100	2.5975 - 2.6075	⅜-¼cpm	1.15	1¼-1pm	1.63
Ecu	1.3870 - 1.3950	1.3880 - 1.3890	0.12-0.06cpm	0.78	0.31-0.29pm	0.78

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.60-5.55pm . 12 Month 10.00-9.90pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Apr 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7350 - 1.7445	1.7430 - 1.7440	0.93-0.91cpm	6.33	2.86-2.83pm	6.53
Ireland†	1.6225 - 1.6310	1.6300 - 1.6310	0.88-0.85cpm	6.37	2.57-2.50pm	6.22
Canada	1.1900 - 1.1925	1.1910 - 1.1920	0.27-0.29cdis	-2.82	0.85-0.90dis	-2.94
Netherlands	1.8290 - 1.8500	1.8310 - 1.8320	0.82-0.85cdis	-5.47	2.49-2.52dis	-5.47
Belgium	33.50 - 33.80	33.50 - 33.60	14.00-16.00cdis	-5.37	44.00-47.00dis	-5.42
Denmark	6.3200 - 6.3825	6.3200 - 6.3250	3.10-3.40oredis	-6.17	9.10-9.70dis	-5.95
Germany	[illegible] - 1.6450	1.6260 - 1.6270	0.75-0.76pfdis	-5.57	2.26-2.28dis	-5.58
Portugal	140.40 - 141.40	140.40 - 140.50	101-107cdis	-8.89	323-333dis	-9.34
Spain	103.45 - 104.95	103.95 - 104.05	71-73cdis	-8.31	212-217dis	-8.25
Italy	1226.75 - 1238.00	1227.75 - 1228.25	7.80-8.30liredis	-7.87	23.70-24.70dis	-7.88
Norway	6.4150 - 6.4550	6.4275 - 6.4325	3.10-3.40oredis	-6.07	9.45-9.95dis	-6.03
France	5.5050 - 5.5625	5.5100 - 5.5150	2.68-2.73cdis	-5.89	8.05-8.15dis	-5.88
Sweden	5.9050 - 5.9800	5.9150 - 5.9200	3.68-3.93oredis	-7.72	11.25-11.70dis	-7.76
Japan	133.25 - 134.10	133.35 - 133.45	0.06-0.07ydis	-0.58	0.16-0.18dis	-0.51
Austria	11.5025 - 11.5625	11.5225 - 11.5275	4.80-5.20grodis	-5.21	14.50-15.70dis	-5.24
Switzerland	[illegible] - 1.5025	1.4915 - 1.4925	0.60-0.63cdis	-4.95	1.76-1.79dis	-4.76
Ecu	1.2425 - 1.2560	1.2545 - 1.2555	0.60-0.57cpm	5.59	1.83-1.79pm	5.77

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

Apr.3	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.743	2.835	232.5	9.610	2.602	3.192	2141	2.075	58.50	1.388
$	0.574	1	1.627	133.4	5.513	1.493	1.831	1228	1.190	33.56	0.796
DM	0.353	0.615	1	82.01	3.390	0.918	1.126	755.2	0.732	20.63	0.490
YEN	4.301	7.497	12.19	1000.	41.33	11.19	13.73	9209	8.925	251.6	5.970
F Fr.	1.041	1.814	2.950	241.9	10.	2.708	3.322	2228	2.159	60.87	1.444
S Fr.	0.384	0.670	1.090	89.35	3.693	1	1.227	822.8	0.797	22.48	0.533
N Fl.	0.313	0.546	0.888	72.84	3.011	0.815	1	670.7	0.650	18.33	0.435
Lira	0.467	0.814	1.324	108.6	4.489	1.215	1.491	1000.	0.969	27.32	0.648
C$	0.482	0.840	1.366	112.0	4.631	1.254	1.538	1032	1	28.19	0.669
B Fr.	1.709	2.979	4.846	397.4	16.43	4.448	5.456	3660	3.547	100.	2.373
Ecu	0.720	1.256	2.043	167.5	6.924	1.875	2.300	1543	1.495	42.15	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

EURO-CURRENCY INTEREST RATES

Apr 3	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10⅛ - 9⅞	10⅛ - 10⅛	10⅝ - 10½	11⅛ - 11	11¼ - 11⅛	11⅜ - 11⅜
US Dollar	4⅛ - 4	4⅛ - 4⅛	4⅛ - 4⅛	4⅜ - 4⅜	4⅝ - 4½	5 - 4⅞
Can. Dollar	6⅞ - 6⅝	6⅞ - 6⅝	7 - 6⅞	7⅜ - 6⅞	7⅝ - 7⅜	7⅞ - 7⅝
Dutch Guilder	9⅝ - 9⅜	9⅝ - 9⅜	9⅝ - 9⅜	9⅝ - 9⅜	9⅝ - 9½	9⅝ - 9½
Swiss Franc	9 - 8⅞	9 - 8⅞	9⅛ - 8⅞	8⅞ - 8⅝	8⅝ - 8½	8⅝ - 8½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 5⅞-5¾ per cent; three years 6⅝-6½ per cent; four years 7¼-7⅛ per cent; five years 7½-7⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

FT LONDON INTERBANK FIXING

(11.00 a.m. Apr.3)	3 months US dollars		6 months US Dollars
bid 4⅜	offer 4½	bid 4⅝	offer 4¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

4pm					
Prime rate	6½	One month	3.82	Three year	5.88
Broker loan rate	5	Two month	4.02	Five year	6.76
Fed.funds	3⅞	Three month	4.05	Seven year	7.10
Fed.funds at intervention	4	Six month	4.18	10-year	7.41
		One year	4.40	30-year	7.88
		Two year	5.38		

Apr 3	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.60-9.70	9.65-9.75	9.65-9.75	9.65-9.75	9.65-9.75	9.75
Paris	9⅞-9⅞	9⅞-10⅛	9⅞-10⅛	10-10⅛	10-10⅛	9.60
Zurich	7⅞-8⅛	8⅛-8⅞	-	8⅝-8⅞	-	-
Amsterdam	9⅝-9⅞	9⅞-9⅞	-	9⅞-9⅞	-	-
Tokyo	4⅝-4⅞	4⅞-4⅞	-	4⅝-4⅞	-	-
Milan	12-12⅛	12⅛-12⅞	-	12⅛-12⅞	-	-
Brussels	9⅛-9⅝	9⅛-9⅞	-	9⅝-9⅞	-	-
Dublin	10⅛-10⅜	10⅝-10¼	10⅝-10¼	10⅝-10¼	10⅝-10⅞	-

LONDON MONEY RATES

Apr 3	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	12	10⅝	10⅞	11⅛	11¼	11⅜
Interbank Bid	9	10½	10⅞	11	11⅛	11⅜
Sterling CDs	-	-	10⅝	11	11⅛	11⅜
Local Authority Deps.	10	10¼	10¾	11⅛	11⅛	11⅜
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10⅛	9⅞	-	-	-	-
Company Deposits	-	-	11⅛	11⅛	11¼	11⅜
Finance House Deposits	-	-	11⅛	11¼	11⅜	11⅞
Treasury Bills (Buy)	-	-	10⅝	10⅝	10⅝	-
Bank Bills (Buy)	-	-	10½	10⅞	10⅞	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	4.20	4.20	4.40	4.80
SDR Linked Dep. Offer	-	-	6⅝	6⅞	6⅞	7⅛
SDR Linked Dep. Bid	-	-	6½	6⅝	6¾	6⅞
ECU Linked Dep. Offer	-	-	9⅞	10⅛	10¼	10¼
ECU Linked Dep. Bid	-	-	9⅞	9⅞	10	10

Treasury Bills (sell); one-month 10⅛ per cent; three months 10⅜ per cent; six months 10⅜ per cent; Bank Bills (sell): one-month 10⅜ per cent; three months 10⅜ per cent; Treasury Bills; Average tender rate of discount 10.5407 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day March 31 ,1992 . Agreed rates for period Apr.26, 1992 to May 25 , 1992, Scheme I: 11.77 p.c., Schemes II & III: 11.84 p.c. Reference rate for period Feb 29, 1992 to March 31 , 1992, Scheme IV&V: 10.643 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from April 1 , 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5,1991 , Deposits withdrawn for cash 5 per cent.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY APRIL 3 1992 US Dollar Index	% chg ($) since 31/12/91	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/91	Gross Div. Yield	THURSDAY APRIL 2 1992 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1991/92 High	1991/92 Low	Year ago (approx)
Australia (69)	143.44	-4.9	121.97	120.95	121.29	124.45	-5.7	4.43	143.08	122.62	121.10	122.37	124.23	153.68	141.93	137.33
Austria (19)	171.43	+2.9	145.78	144.56	144.97	145.89	+11.2	1.99	169.44	145.21	143.42	144.92	144.95	186.70	164.69	204.00
Belgium (46)	139.19	-3.6	118.36	117.36	117.70	115.16	+3.5	5.20	138.00	118.26	116.79	118.02	116.37	145.19	136.59	142.15
Canada (115)	128.03	-6.1	108.87	107.95	108.26	110.46	-3.2	3.38	128.20	109.87	108.51	109.64	110.70	142.12	128.03	138.27
Denmark (35)	230.01	-13.9	195.59	193.96	194.50	197.79	-7.9	1.85	228.99	196.25	193.82	195.84	198.63	273.94	226.81	247.95
Finland (15)	73.64	-5.6	62.62	62.10	62.27	70.63	+4.3	2.07	74.55	63.89	63.10	63.76	70.48	89.80	73.64	124.73
France (108)	156.52	+4.0	133.10	131.98	132.34	135.34	+10.7	3.34	154.61	132.50	130.86	132.22	135.15	156.52	148.06	142.96
Germany (65)	119.78	+2.1	101.85	101.02	101.28	101.28	+9.5	2.27	118.28	101.36	100.12	101.15	101.15	122.84	114.67	111.81
Hong Kong (55)	204.42	+15.9	173.83	172.38	172.87	203.14	+15.3	3.97	204.80	175.51	173.34	175.16	203.50	210.88	176.36	156.50
Ireland (15)	153.11	-8.8	130.20	129.11	129.47	132.32	-2.2	3.86	151.78	130.08	128.47	129.81	132.10	173.71	151.78	169.34
Italy (77)	72.23	-4.2	61.42	60.90	61.07	66.24	+2.4	3.50	71.53	61.30	60.54	61.17	66.26	80.86	68.92	82.62
Japan (473)	97.54	-28.2	82.95	82.25	82.49	82.25	-23.3	1.04	97.09	83.20	82.17	83.04	82.17	140.95	97.09	143.74
Malaysia (68)	234.88	+9.7	199.73	198.05	198.61	232.98	+3.8	2.73	234.86	201.27	198.78	200.85	233.46	250.18	212.49	240.64
Mexico (18)	1701.08	+22.3	1446.52	1434.43	1438.46	5688.43	+23.0	1.06	1713.83	1468.74	1450.59	1465.72	5732.00	1789.77	1376.91	823.02
Netherland (25)	151.10	-1.0	128.49	127.42	127.78	128.31	+6.1	4.40	150.30	128.81	127.21	128.55	127.05	156.48	147.88	140.86
New Zealand (14)	43.25	-7.9	36.77	36.47	36.57	41.93	-9.2	6.55	42.99	36.85	36.39	36.77	41.91	48.52	42.99	48.83
Norway (23)	169.79	-5.0	144.38	143.17	143.58	148.18	+2.4	1.73	170.22	145.87	144.06	145.58	149.37	192.95	161.26	201.25
Singapore (38)	197.72	-10.0	168.13	166.73	167.20	151.07	-7.9	2.17	200.70	172.00	169.88	171.64	153.30	228.43	197.72	199.65
South Africa (61)	228.34	-8.3	194.17	192.54	193.08	174.51	+0.9	2.88	228.70	196.00	193.57	195.59	175.09	263.60	203.16	199.36
Spain (50)	148.73	-4.9	126.47	125.42	125.78	117.18	+2.3	5.14	149.68	128.28	126.70	128.01	118.33	160.47	148.73	162.00
Sweden (25)	184.21	+1.7	156.64	155.34	155.77	161.37	+8.6	2.80	185.63	159.08	157.12	158.76	163.92	190.37	173.09	193.45
Switzerland (60)	99.13	-1.2	84.30	83.60	83.84	91.69	+8.8	2.26	98.97	84.82	83.77	84.65	92.13	104.22	95.99	97.71
United Kingdom (228)	165.95	-10.5	141.11	139.92	140.31	141.11	-3.9	5.28	166.19	142.42	140.65	142.12	142.42	186.29	165.95	182.21
USA (523)	163.77	-3.6	139.26	138.11	138.49	163.77	-3.6	2.99	163.48	140.10	138.38	139.82	163.48	171.66	163.48	152.33
Europe (792)	140.88	-4.8	119.80	118.80	119.14	120.24	+2.4	4.05	140.31	120.25	118.78	120.01	120.81	150.58	139.31	145.07
Nordic (96)	171.61	-6.6	145.93	144.71	145.12	143.92	+0.0	2.24	171.94	147.35	145.53	147.05	145.28	188.52	170.96	187.66
Pacific Basin (717)	102.82	-25.0	87.43	86.70	86.95	87.17	-20.7	1.44	102.41	87.77	86.68	87.58	87.11	141.97	102.41	143.51
Euro - Pacific (1509)	118.25	-16.5	100.56	99.71	99.99	100.90	-11.2	2.68	117.78	100.94	99.68	100.72	101.09	145.21	117.78	144.50
North America (638)	161.52	-3.7	137.35	136.21	136.60	160.15	-3.6	3.01	161.25	138.19	136.50	137.93	159.89	169.69	161.25	151.38
Europe Ex. UK (564)	124.82	-0.3	106.14	105.26	105.58	107.69	+7.1	3.23	123.86	106.15	104.86	105.95	107.89	129.79	121.81	122.67
Pacific Ex. Japan (244)	154.83	+3.2	131.66	130.58	130.94	137.52	+2.2	3.96	154.94	132.78	131.16	132.52	137.71	158.33	149.00	139.84
World Ex. US (1703)	120.85	-15.7	102.77	101.91	102.20	103.34	-10.4	2.69	120.42	103.20	101.93	102.99	103.56	146.91	120.42	145.24
World Ex. UK (1998)	131.41	-11.2	111.75	110.82	111.13	120.02	-8.2	2.52	130.97	112.24	110.86	112.02	119.95	150.58	130.97	148.03
World Ex. So. Af. (2165)	133.80	-11.2	113.78	112.84	113.15	121.54	-7.9	2.81	133.42	114.34	112.93	114.11	121.59	153.05	133.42	146.19
World Ex. Japan (1753)	155.10	-3.6	131.89	130.80	131.16	144.66	-1.0	3.40	154.78	132.63	131.00	132.38	144.99	161.90	154.76	149.41
The World Index (2226)	134.42	-11.1	114.30	113.35	113.67	122.02	-7.8	2.81	134.04	114.87	113.45	114.64	122.07	153.70	134.04	146.52

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

Constituent changes during the week ending 3/4/92: Addition: Sulzer Brothers (Reg.) (Switzerland). Name change: Taiyo Kobe Mitsui Bank Ltd to Sakura Bank Ltd. Constituent change with effect 6/4/92: Deletion: Auxiliaire D' entreprises (France).

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

TOKYO			Intervention Rate	9.60	Unch'd
One month Bills	4⅜	-⅞	One mth Interbank	9⅞	-⅛
Three month Bills	4⅜	-⅛	Three month	10⅛	+⅛
BRUSSELS			MILAN		
One month	9⅛	-⅛	One month	12⅛	+⅛
Three month	9⅜	-⅛	Three month	12⅛	+⅛
AMSTERDAM			DUBLIN		
One month	9⅝	+⅛	One month	10⅞	Unch'd
Three month	9⅝	-⅛	Three month	10⅞	Unch'd

FINANCIAL TIMES STOCK INDICES

	Apr 3	Apr 2	Apr 1	Mar 31	Mar 30	Mar 27	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs.	85.18	85.14	85.11	85.31	85.74	85.63	88.55	82.17	127.4	49.18
Fixed Interest	98.26	98.19	98.39	98.85	98.72	98.75	101.56	90.59	105.4	50.53
Ordinary	1851.4	1866.6	1878.9	1903.5	1916.1	1914.9	2108.3	1606.3	2108.3	49.4
Gold Mines	118.1	119.6	121.6	120.9	120.2	119.6	222.8	116.0	734.7	43.5
FT Act All-Share	1142.45	1152.58	1164.18	1171.71	1177.04	1176.13	1284.07	987.46	1284.07	61.92
FT-SE 100	2382.7	2405.4	2408.6	2440.1	2452.9	2447.9	2679.6	2054.8	2679.6	986.9
FT-SE Eurotrack 100	1144.60	1149.08	1141.13	1149.80	1145.80	1140.84	1176.44	900.45	1176.44	900.45
FT-SE Eurotrack 200	1141.32	1149.52	1145.11	1159.94	1168.46	1153.31	1200.06	938.62	1200.06	938.62

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

BRITISH FUNDS - Cont.

[illegible]

Exch 15pc 1997	118⅜xd	-8	838	Ap27 Oc27	23.3 1268		
9¾pc 1998	98	-6	3,258	Jy19 Ja19	18.12 1273		
Treas 6¾pc 1995-98‡‡	87⅛xd	-6	1,800	Nv1 My1	26.3 1331		
15½pc '98‡‡	123⅝	-6	835	Mr30 Se30	24.2 1308		
Exch 12pc 1998	107⅞	-6	3,989	My20 Nv20	14.10 1259		

Undated

Consols 4pc	40	-6	[illegible]		
War Loan 3½pc‡‡	35⅞	-7	1,909	Je1 De1	26.10 1352
Conv 3½pc '61 Aft	39⅞	-3	127	Ap1 Oc1	24.2 1343

BRITISH FUNDS - Cont.

[illegible]

4¼pc IL 2024	103¾	-7	58	Fe23 Ap23	27.1	-
Old Mer States 15½pc 2006	127½	-4	90	Mr1 Se1	17.2	-

OTHER FIXED INTEREST

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

Wimbledon & South West Finance PLC						
114 Newgate St, London EC1 7AE					071-606 9485	
High Int Cheque Acc.	10.60		7.95	11.03	-	
Clydesdale Bank PLC						
30 St Vincent Place, Glasgow G1 2HL					041 248 7070	
£2,000-£24,999	8.00		6.00	8.24	-	
£25,000-£99,999	8.75		6.56	9.04	-	
£100,000+	9.25		6.94	9.58	-	

Many other currencies are available - for rates please phone ext 2168

NOTES - Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Crd: Frequency at which interest is credited to the account.

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Duncan Lawrie	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Equatorial Bank plc	10.5	Nat Westminster	10.5
B & C Merchant Bank	10.5	Exeter Bank Limited	11	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Financial & Gen. Bank	11	Nykredit Mortage Bank	11
Banco Bilbao Vizcaya	10.5	First National Bank Plc.	14	Provincial Bank PLC	14
Bank of Cyprus	*10.5*	● *Robert Fleming & Co.*	*10.5*	*Roxburghe Bank Ltd.*	*11.5*
Bank of Ireland	10.5	Robert Fraser & Ptnrs.	11	Royal Bk of Scotland	10.5
Bank of India	10.5	Girobank	10.5	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	● Guinness Mahon	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Hambros Bank	10.5	TSB	10.5
Barclays Bank	10.5	Hampshire Trust Plc	13.5	Unibank plc	10.5
Benchmark Bank	11	Heritable & Gen Inv Bnk.	10.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	● Hill Samuel	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	C. Hoare & Co.	10.5	Western Trust	10.5
CL Bank Nederland	10.5	Hongkong & Shanghai	10.5	Westpac Bank Corp	10.5
Citibank NA	*10.5*	*Julian Hodge Bank*	*10.5*	*Whiteaway Laidlaw*	*10.5*
City Merchants Bank	10.5	● Leopold Joseph & Sons	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	Lloyds Bank	10.5		
Co-operative Bank	10.5	Meghraj Bank Ltd	10.5		
Coutts & Co	10.5				

● Members of British Merchant Banking & Securities Houses Association.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	Wk% change	Div gross	Dividends paid	Last xd	City line
Abbott Labs		35⅛xd	−1.1	$1.20	FeMyAuNv	10.1	1503
♥Allegheny & W		295p	−9.8	30c	–	–	–
Amdahl		978p	−11.0	18c	NvMrJeAu	31.1	–
Amer Cyanamid		39⅝	0.4	$1.50	MrJeSeDe	4.3	–
Amer Express		13¼xd	−4.7	$1.00	FeMyAuNv	31.3	1594
Amer T & T		23½xd	−3	$1.32	FeMyAuNv	27.3	1597
Ameritech		33	−9	$3.52	FeMyAuNv	28.3	–
BankAmerica		24⅛xd	−5.9	$1.36	FeMySeDe	28.2	1744
Bankers NY		31⅛xd	−4.0	$1.52	ApJyOcJa	27.12	1745
Bell Atlantic		23⅞	−2.1	$2.52	FeMyAuNv	4.7	–
BellSouth		25½	−5	$2.76	FeMyAuNv	5.4	–
♥Bethlehem Steel		6⅞xd	−6.4	–	MrJeSeDe	8.2	1821
Bowater		1397pxd	−7.4	$1.20	OcJaApJy	6.3	1884
CPC		49½xd	−3	$2.40	JaApJyOc	30.3	2263
California Engy		709p	−6	–	–	–	–
Campbell Soup	h	29⅞	−4.4	70c	OcJaApJy	24.12	2050
Chase Manhattan		13⅞xd	−5.4	$1.20	FeMyAuNv	24.1	2109
Chrysler		18⅝xd	1.2	60c	ApJyOcDe	11.3	2135
Citicorp		9⅛xd	−8.8	–	–	23.10	2141
Colgate-Palm		28⅛xd	−1.3	$1.08	FeMyAuNv	22.1	2184
Cont'l Bank		971p	−4.1	80c	DeMrJeSe	31.8	–
Dana		22xd	−3.3	$1.60	MrJeSeDe	25.2	2306
Data General		529p	−11.1	–	–	–	–
Dial		21⅞xd	−3.6	$1.12	JaApJyOc	20.3	2778
Dun & Brad		31½	−4.2	$2.16	MrJeSeDe	13.2	–
Eaton		41⅞	−5.1	$2.20	FeMyAuNv	2.2	2410
Echlin		10⅞xd	−6.3	70c	JaApJyOc	2.4	3045
FPL		19⅞xd	−1.3	$2.40	MrJeSeDe	25.2	–
Fluor		21½xd	−9.0	40c	JaApJyOc	10.3	2609
Ford Motor		22xd	0.5	$1.60	MrJeSeDe	28.1	2615
Gen Elect		43⅞xd	−1.5	$2.28	JaApJyOc	4.3	2675
♥General Host		497p	−7.6	34c	–	10.12	–
Gillette		28⅛xd	1.1	62c	MrJeSeDe	29.1	2695
Hasbro	h	13⅞	−4.3	13.3c	JaApJyOc	1.8	–
Honeywell		41⅞xd	−1.5	$1.85	MrJeSeDe	25.2	2919
Houston Inds		24½	1.0	$2.96	MrJeSeDe	10.11	–
IBM		47⅞xd	−2.6	$4.84	MrJeSeDe	6.5	2986
Ingersoll-Rand		34⅛xd	−4.2	$1.32	MrJeSeDe	13.2	2979
Lockheed		25⅝	−1.9	$2.00	MrJuSeDe	15.2	–
Lowe's		2173p	−3.4	56c	JaApJyOc	11.7	–
Merrill Lynch		39⅝xd	−7.0	$1.00	FeMyAuNv	30.4	3351
Morgan (JP)		32⅞xd	−3.4	$2.16	JaApJyOc	18.3	3418
Morris (Philip)		44⅛xd	−1.0	$2.10	JaApJyOc	11.12	5161
NYNEX		40½	−2.4	$4.64	FeMyAuNv	27.5	4740
♥Pac Agric		42p	–	–	–	–	–
Pall		14⅝	−6.6	36c	FeMyAuNv	24.1	–
Pennzoil		25⅛xd	−2.9	$3.00	MrJeSeDe	26.2	3630
Quaker Oats		31½xd	−2.3	$1.72	JyOcJaAp	17.3	3739
Rockwell		13⅞xd	−5.4	92c	MrJeSeDe	12.2	3847
Rep NY		23⅞	−2.1	$1.60	JaApJySe	10.3	3814
Sears, Roebuck		28⅛xd	1.4	$2.00	JaApJyOc	26.2	5191
[illegible] Bell		33⅛	−2.2	$2.84	MyAuNvFe	4.7	–
Sun Co		15⅞xd	−6.4	$1.80	MrJeSeDe	6.2	4135
Tenneco		21⅞xd	−4.1	$1.60	MrJeSeDe	11.2	–
Texaco		33xd	−6	$3.20	MrJeSeDe	30.1	4200
Time Warner		86½xd	−3	$1.00	MrJeSeDe	10.2	4234
♥Unitab		460p	–	–	–	–	–
Utd Tech		30⅛xd	−4	$1.80	MrJeSeDe	26.2	4381
♥Utitech		129p	–	–	–	–	–
♦URS Intl. 1c		0½p	–	–	October	21.7	4364
US West		19½	−1.9	$2.00	FeMyAuNv	14.4	–
Varity		780p	−1.7	–	–	11.77	–
[illegible]		21⅝xd	−6.7	44c	ApJyOcJa	18.3	4439
Whirlpool		2804pxd	−6.9	$1.10	MrJeSeDe	4.3	–
♥Woolworth		17⅞	−2.1	$1.08	MrJeSeDe	28.1	4540

CANADIANS

	Notes	Price £	Wk% change	Div gross	Dividends paid	Last xd	City line
♥Abbot Energy		3p	–	–	–	–	–
Amer Barrick		1469p	1.4	8c	Jun Dec	–	–
Bk Montreal		28⅞	−2.3	$2.12	FeMyAuNv	2.8	1029
Bk Nova Scot		1801p	−1.3	82c	JaApJeDe	30.8	1017
♥BC Gas		636p	−1.5	88c	FeMyAuNv	30.12	–
BCE		22⅞	−3.9	$2.60	ApJyOcJa	12.6	–
[illegible]							

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HEALTH & HOUSEHOLD - Cont.

[illegible]

HOTELS & LEISURE

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	Wk% ch'nge	Div net	Dividends paid	Mkt cap£m	Last xd	City line
Scot National Inc		84½	−3.4	6.85	ApJyOcJa	134.9	24.2	3961
Cap		16	−25.0	–	–	9.98	–	3968
Stepped Pf	†	126	−2.3	5.25	Sep Mar	40.2	24.2	3962
Zero Div Pf		167	−1.5	–	–	100.6	–	3964
Warrants		3½	−46.2	–	–	0.45	–	3963
Scot Value	a	56½	−1.7	1.25	Jan	18.2	9.12	2785
Sec Alliance	†	1149	−1.7	35.0	Apr Oct	229.6	24.2	3974
Second Market	s	236	—	1.5	May	236.3	2.4	3976
Sec Tst Scot	†	93	−3.8	3.1	Jul Dec	201.8	28.10	3977
Select Assets		99	−1.0	0.63	Apr	23.8	24.2	5885
Eq Ind Ser1		118	−2.7	4.25	JaApJaOc	18.4	10.1	4885
Eq Ind SerII		118	−2.7	4.25	JaApJaOc	23.4	10.1	5886
Shires	†	185	−3.0	17.8	ApJyOcJa	44.9	9.3	4814
11pc Cv Ln '03/04		£97½	−2.0	Q11%	Sep Mar	22.3	24.2	4812
Starn Select		57	−1.1	1.8	Jul	13.1	–	1887
Warrants		18	—	–	–	0.54	–	1379
Smaller Cos		98	−4.2	2.5	Apr Oct	19.2	24.2	3986
Warrants		10	—	–	–	0.39	–	3990
Sphere Inc		15	−8.2	2.07	MyAuNvFe	18.2	27.1	4270
Zero Div Pf		86½	−1.5	–	–	70.5	–	5227

MERCHANT BANKS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividend paid	Last xd	City line
Ansbacher (H)		28xd	−0.7	0.81	–	May	[illegible]	[illegible]
Barings 8pc Cm 2nd Prf.		87½	−5	8%	–	June Dec	[illegible]	[illegible]
9¾ pc Non-Cum Prf.		107	−1.4	9¾%	–	Jan Jul	[illegible]	[illegible]
Brown Shipley		144	−4.6	3.8	–	Jan Aug	[illegible]	[illegible]
Close Bros	†	201xd	−2.7	8.8	2.5	Apr Oct	[illegible]	[illegible]
Hambros	†	224	−4.7	12.8	1.9	Jan Aug	[illegible]	[illegible]
7½ pc Cv Pf		98	−3.9	7½%	–	Apr Oct	[illegible]	[illegible]
Joseph (L)		328	−6	15.85	–	Jan Sep	[illegible]	[illegible]
Kleinwort Benson		218	−2.3	16.8	0.9	May Oct	[illegible]	[illegible]
Rea Bros		28	—	0.5	2.6	May Oct	[illegible]	[illegible]
Schroders		1078xd	−1.7	18.8	♦	Nov May	[illegible]	[illegible]
N/V		898xd	−2.0	14.8	♦	May Nov	[illegible]	[illegible]
Singer & Fried		49xd	−2.3	2.5	♦	Nov May	[illegible]	[illegible]
Warburg (SG)	†	457	−6.9	18.9	2.8	Jul Dec	[illegible]	[illegible]
8pc Cv Pf		109	−3.8	8%	–	Mar Sep	[illegible]	[illegible]
Wintrust		215	−8.6	9.3	3.6	Sep Mar	[illegible]	[illegible]

METALS & METAL FORMING

MINES - Cont.

‡Kalis Minls IE		36	—	–	–	–	–	3741
‡Kenmare		4½	—	–	–	–	–	1452
‡Navan Res IE		25	4.2	–	–	–	–	1186
Northgate Expl C$	s	39	5.4	–	–	–	10.77	–
North West Expl A$		3	20.0	–	–	–	–	–
Oryx Gold $		61	−34.8	–	–	–	–	3880
‡Ovoca Res IE		6	−40.0	–	–	–	–	1470
Plateau		3	—	–	–	–	–	3467
RTZ	q	587xd	0.5	19.5	1.5	Dec Jul	23.3	3880
‡Vizcaya		1	−50.0	–	–	–	–	4183
Western & Pac C$		34	100.0	–	–	–	–	–
‡Young Grp		4	—	–	–	–	7'90	5988

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock."
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(A)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. x Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. z Dividend includes a special payment. Cover does not apply to special payment. E Minimum tender price. F Dividend based on prospectus or other official estimates for 1990-91. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1991. K Dividend based on prospectus or other official estimates for 1992-93. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1991-92. N Dividend based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following change has been made to the FT Share Information Service.

Deletion: Thornton (GW) (Section: Engineering General).

4:00 pm prices April 3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	12¾	AAR Corp	0.48	3.5	16	51	13⅝	13½	13⅝	+⅛
26	20⅞	A L Labs A x	0.18	0.8	109	87	23	22¾	23	−⅛
68¼	56	AMP Inc	1.52	2.7	23	711	56⅝	56⅛	56⅛	−⅛
80¼	68⅞	AMR			24	4345	72	70¼	70⅞	−1⅞
2⅞	1⅞	ARX			2	71	2⅛	2	2⅛	+⅛
53½	43¾	ASA	2.75	6.1	13	135	45⅛	45	45⅛	
68⅞	56¼	Abbott Lab	1.20	2.0	23	3176	61⅛	60⅛	60¾	+¼
13⅞	12⅛	Abitibi Pr	0.43	3.3	13	12	12⅞	12⅞	12⅞	−⅛
11⅝	10⅞	ACM Gvt In	0.98	9.1		480	10½	d10⅞	10½	+⅛
10⅜	9⅛	ACM GvOpp	0.80	8.5		210	9⅜	9¼	9⅜	+⅛
9½	8½	ACM Gvt Sp x	0.80	9.3		285	8⅝	8⅝	8⅝	
11¼	10⅛	ACM Gvt Se x	0.96	9.5		150	10¼	d10⅛	10⅛	−⅛
9⅜	8⅝	ACM Man	0.95	10.8		234	8⅞	8¾	8¾	
12⅞	10⅞	ACM Managd	1.08	9.7		43	11⅛	11	11⅛	+⅛
11¼	7	Acme Cleve	0.40	4.0	19	171	10⅛	9⅞	10	+⅛
6¼	4½	Acme Elect			4	4	5¾	5¾	5⅞	
33¼	18⅞	Acuson			12	1307	20⅞	20⅛	20⅞	+⅞
18½	18½	Adams Expr	0.48	2.5	0	179	19	18⅞	18⅞	+⅛
16½	13	Adobe12Pf	2.40	16.6		41	14½	14⅛	14½	
5⅞	4½	Adobe Res			2	108	5	5	5	
49⅛	40½	Ad Micro	3.00	6.9		35	43½	43	43¼	+¼
21½	16½	Ad Micro P	3.00	18.9	11	2089	17¾	17½	17¾	
9⅛	5	Advest Grp	0.16	2.3	28	76	7	6¾	6⅞	
71¾	67⅛	Aegon ADR			6	20	69½	69¼	69½	
47	39	Aetna LI	2.76	6.4	9	2249	43⅛	42½	42¾	−⅛
12	8⅞	Ahll A	0.24	2.4	71	334	10	9⅞	10	
32⅞	26⅞	Allac	0.40	1.5	14	1442	28⅝	d28	28	−⅝
19⅜	15⅛	Ahmanson	0.88	5.4	7	1518	16⅝	16⅛	16⅛	−⅛
22⅛	15	Aileen Inc			14	332	17⅛	16⅛	16½	−¾
46⅞	38½	Air Pr Chm	0.80	1.9	18	1697	42⅛	41⅝	41⅞	−⅞
29⅞	23⅞	Airbne Frt	0.30	1.2	17	290	24⅝	23⅞	24	−⅞
26	22⅜	Airgas Inc			26	22	23⅞	23½	23⅝	
12¾	8¼	Airlease x	1.68	14.9	7	37	11⅜	11⅛	11¼	
104	99½	AlaPw8.16	8.16	8.1		z100	100	100	101	
25⅛	21⅞	AlaPw PfA	2.00	8.0		11	u25⅛	25⅛	25⅛	
107	102½	AlaPw9.44	9.44	9.0		z100	102½	d102½	105	+2½
108	102⅝	Alab Pw 11				2	104	104	104	
105	101½	Alab Pw 9P	9.00	8.6		2	104	103	104	+1½
105	100¼	Alab 8.28C	8.28	8.1		3	102	102	102	+1
11	10½	AlaPwDpPf	0.87	8.1		68	10¾	d10½	10¾	+⅛
23⅞	18¼	Alaska Air	0.20	1.1	70	165	18⅞	d18¼	18¼	
21¼	15¾	Albany Int	0.35	1.9	44	50	18½	18⅜	18⅜	−⅛
32	24½	AlCulvr B	0.24	0.9	23	150	26	25⅝	26	+½
25¾	21	AlCulvr A	0.20	0.8	21	245	24¼	23¾	23¾	−⅛
44⅞	36¾	Albertsons	0.64	1.5	22	919	43⅝	43¼	43⅝	+½
22⅞	18⅞	Alcan Alum	0.60	3.1	76	2035	19⅛	19	19⅛	
39⅞	33⅛	Alco Stand	0.82	2.4	16	580	38½	38	38⅜	+⅛
23⅛	17⅛	AlexBrown			15	51	17	d16⅞	16⅞	−⅛
23⅞	19¼	Alexr Alex	1.00	5.3	20	448	19¼	d18⅞	19	−¼
25⅞	11⅞	Alexanders			12	329	11⅝	11½	11⅝	−⅛
35¾	27½	Allegh Lud	0.88	2.6	95	164	33½	33⅞	33½	
45	41⅞	Allegh Pow	3.20	7.8	11	284	41⅞	41⅝	41⅝	+⅛
31	22⅞	Allen Gp	1.75	6.2		36	28¼	27⅞	28¼	+⅜
30	19⅛	Allen Con	0.20	0.8	19	394	26⅞	25½	26¼	+⅝
27¼	20⅝	Allergan	0.36	1.7	23	616	21⅞	20¾	21⅛	+⅝
39⅞	31⅝	Allnce Cap	2.12	6.5	15	345	33⅛	32⅞	32⅝	−1
12½	10¾	Allnce Gl				67	10⅞	d10¾	10⅞	
21¼	18¼	Ald Irish				9	20	19¾	20	
54⅞	40⅞	Alld Sig	1.00	1.9	25	2235	51⅞	51⅛	51⅞	−½
10⅞	9⅞	AlstMunTr	0.75	7.5		86	10⅛	10	10	−⅛
9⅛	9	AlstIncOp	0.72	7.7		144	9⅜	9¼	9⅜	+⅛
10	9½	AlstMninc	0.60	6.2		20	9⅞	9¼	9⅝	
9⅝	9¼	AlstMninc	0.72	7.7		18	9½	9⅜	9⅜	
40⅞	34¾	Alltel Crp	1.46	3.9	16	251	38¼	37⅞	38¼	+⅜
8⅞	6⅞	Alltrista				677	6¾	6½	6⅝	+¼
73⅞	61	Alcoa	1.60	2.4	85	5447	70½	68	68	−2½
10⅞	10¼	AmGovInc x	0.98	9.3		107	10½	10⅜	10½	
8½	7½	Am Precis x	0.20	2.6		222	7⅝	d7½	7⅝	−⅛
22¾	17¼	Amax	0.80	4.6	51	1567	17½	d17⅛	17⅜	+⅛
12½	8½	Amax Gold	0.08	0.8	26	28	9½	9⅜	9⅜	−⅛
1⁵⁄₁₆	15/16	Ambase Co			0	1374	⅝	½	½	−⅛
26	18½	Amcast Ind	0.48	2.4	15	638	20⅛	19⅝	19⅞	−⅛
49⅞	35⅞	Amerada Hs	0.60	1.5	195	4880	39¼	37½	39⅞	+1⅞
[illegible]										

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
75⅛	60½	Sallie Mae	1.00	1.5	18	1708	66½	65½	65⅞	-½
14¼	13½	Salomon Br	1.61	11.7		206	13¾	d13½	13⅝	+⅛
32½	27¼	Salomoninc	0.64	2.3	7	2185	27⅞	d27¼	27¾	+⅜
45⅜	42⅞	SanDgo G&E	2.88	6.7	12	289	43⅝	42¾	42⅞	-⅛
3⅜	2⅜	SantaFeEDu x	0.40	14.5	22	58	2⅞	2¾	2¾	-⅛
9¼	7	SantaFeEn x	0.16	2.0	28	1702	8⅛	7⅞	8⅛	
36⅝	31¼	SantaFePac	2.75	8.6	10	70	32	d31¾	31⅞	-⅛
14⅝	11⅛	SantaFeSth			21	2579	11⅝	11½	11⅝	
57	49¾	Sara Lee	1.00	2.0	17	1880	51⅛	50⅞	50⅞	-⅛
9½	1¾	Savin			0	143	3	2⅞	2⅞	-¼
3¾	⅞	Savin 0.80	0.80	64.0		22	1⅛	1¼	1¼	
44⅞	38⅝	Scana Corp	2.68	6.8	11	73	39½	39¼	39¼	
47⅞	40¼	Scecorp x	2.72	6.7	12	1781	41	40⅝	40⅝	+⅛
68	54⅞	ScheringPl	1.32	2.4	18	5073	56¼	d54⅞	55	-1¼
64¾	54¼	Sch'berger	1.20	2.2	16	1168	54¾	d52⅛	54½	+⅝
37¾	28¾	Schwab(C)	0.24	0.8	23	3081	30	d28¾	29⅝	+⅞
9⅞	6¾	Schweitzer			38	91	8½	8⅞	8½	
19⅞	15⅞	ScientAtln	0.18	1.0	107	208	18⅛	18	18⅛	-¼
9½	7⅛	Scotman x	0.10	1.2	12	176	8⅞	8⅛	8⅞	-⅛
44½	34½	ScottPaper	0.80	2.0	26	2291	40⅝	39⅞	40⅛	-⅝
16⅞	13⅝	ScuddrNAsF	0.18	1.2		70	14¾	14½	14½	-⅛
9⅛	8⅜	ScuddrNEuF	0.30	3.6		147	8⅞	8½	8½	-⅛
24	17½	Sea Cont	0.70	4.0	8	739	17⅝	d17⅜	17½	
15⅝	14⅞	SeaC1.4625	1.46	9.8		z100	15½	15½	15¼	-⅛
123½	109½	Seagram Co	2.00	1.7	15	214	115⅞	114⅝	115⅛	+⅛
25¼	21⅝	Seagull En			54	59	24½	24¼	24⅜	-⅛
19	12⅞	SPX Corp	0.40	2.4	11	55	16½	16⅛	16⅛	+⅛
55⅞	44⅞	Sealed Air			29	36	51	50½	51	+⅛
47⅞	37	Sears Roeb	2.00	4.4	13	9749	46¼	45¾	45¾	-1
[illegible]										

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
38⅞	31½	TeleEspSA	1.44	4.5	6	2028	32⅞	32¼	32¼	
60	45¾	Telmex ADR				9378	56¾	55⅞	55⅝	
67½	50	Templeinl	0.96	1.8	20	882	54	52½	53⅞	
24	21	TempltEmMk	3.90	18.4		107	21⅞	21¼	21¼	
9¾	8⅞	TempltGlob x	0.84	9.1		230	9⅛	9⅛	9¼	
9⅞	8⅞	TempltGlFd	0.84	9.3		1330	9⅛	9	9	
40½	31⅛	Tennecoinc	1.60	4.2	8	1610	37⅞	37⅛	37⅝	
21⅝	19½	Teppco Pa	2.20	10.5	16	86	20⅞	20¾	20⅞	
20½	15⅜	Teradyne			27	980	15⅞	15⅝	15⅞	
18½	12¾	Terex	0.08	0.4	4	28	16	15⅝	15⅝	
6⅝	4⅝	Tesoro Pet			6	2	5	5	5	
63⅝	56⅛	Texaco	3.20	5.4	12	1408	59	58½	59	
64½	52	Texaco C	3.73	7.1		2	52½	52½	52½	
22	19½	Texas Ind	0.20	0.9	98	22	21½	21½	21½	
40½	30	Texas Inst x	0.72	2.2	11	1546	32½	31⅞	32½	
23¼	18¾	Texas Pac	0.40	1.9	32	7	21⅜	21⅛	21⅜	
42	37⅜	Texas Util	3.04	8.1	18	1594	37½	d37⅛	37½	
10⅛	9⅛	Texfi Pf	1.10	10.9		10	10	10	10⅛	
8½	4⅞	Texfi Inds	1.10	13.8	5	505	8	7⅞	8	
39⅞	34⅜	Textron	1.12	3.1	10	1055	35⅞	34⅞	35⅜	
8⅛	4⅞	Thackeray			21	16	5⅛	5⅛	5⅛	
9⅞	8⅜	Thai Cap				31	9	8⅞	9	
18⅞	15¾	Thai Fund	2.72	16.5		144	16½	16⅞	16½	
47½	37⅞	ThermoElec			19	638	39⅛	38⅝	39⅛	
17½	13¾	Thiokol	0.36	2.3	5	365	16	15⅞	15⅞	
65¼	55¼	Thomas & B	2.24	3.7	21	254	61	59⅞	60¼	
14⅛	11	Thomas Ind	0.40	3.8	27	161	11	d10½	10⅝	
19½	16⅜	Thomson Ad	1.82	10.8	8	87	17	16⅞	16⅞	
14⅝	11⅞	Tidewater			11	111	12⅝	12⅜	12½	
[illegible]										

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices April 3

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
Oilsten	0.24	35	1207	u33¾	33	33⅛	
O&I Corp	0.14	7	75	6¾	5½	6⅝	
Pall Corp	0.36	27	830	25½	25⅛	25½	
Pegasus G	0.10	33	136	12¼	12⅛	12¼	
Perini		45	3	12¼	12⅛	12¼	+⅛
Pet HRAP	0.31	8	13	10½	10¼	10½	+⅛
Phil LD	0.36	15	461	32½	32⅛	32¼	+⅝
[illegible]							

NASDAQ NATIONAL MARKET

4:00 pm prices April 3

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

MONDAY INTERVIEW

Making an art of controversy

Jack Lang, France's minister of education, culture and communications, talks to **Alice Rawsthorn**

If a French conservative were asked to compile a hit-list of the *gauche caviar*, the sybaritic socialists with a penchant for designer suits and conceptual art, the name of Mr Jack Lang, France's minister of education, culture and communications, would almost certainly be at the top.

"They hate me. They detest me," he says, with more than a hint of smugness. "To them I am the devil, the incarnation of immorality, a force for evil."

Mr Lang, who is 52, can afford to be smug. As arts minister, he has become so popular – two out of three French people admire him, according to the opinion polls – that his name was cited in the past fortnight as a candidate to succeed Mrs Edith Cresson as prime minister.

After days of uncertainty, President François Mitterrand last Thursday chose Mr Pierre Bérégovoy, his stolid finance minister. "Béré" was a safer choice, but the minister of culture would have been more charismatic. As a consolation prize, Mr Lang was given education to add to his old arts portfolio.

It is astonishing that Mr Lang's name should have been mentioned at all as potential prime minister. The arts ministry is not generally seen as a springboard to higher things in politics in France or elsewhere.

However, he has a close relationship with President Mitterrand, and has emerged at the forefront of French politics through the force of his personality. He worked his way up from the grassroots of the Socialist party after starting his career as a law professor, who made his name in the arts by founding the International Theatre Festival at Nancy in the 1960s.

He has never been far from the headlines or from controversy during his time at the culture ministry. There was uproar when Mr Lang and his colleagues fired the conductor, Mr Daniel Barenboim, from the Paris Opéra. There was another row last year when, after the sculpture at the Louvre subway station had been defaced by graffiti, Mr Lang announced that he was inaugurating an exhibition of graffiti art. Most recently he has been pilloried in the French press for pinning the Order of Arts and Letters on the chunky chest of Mr Sylvester Stallone, the Hollywood movie star better known for brawn than brain. One columnist said the Croix de Guerre, a military medal, might have been more appropriate.

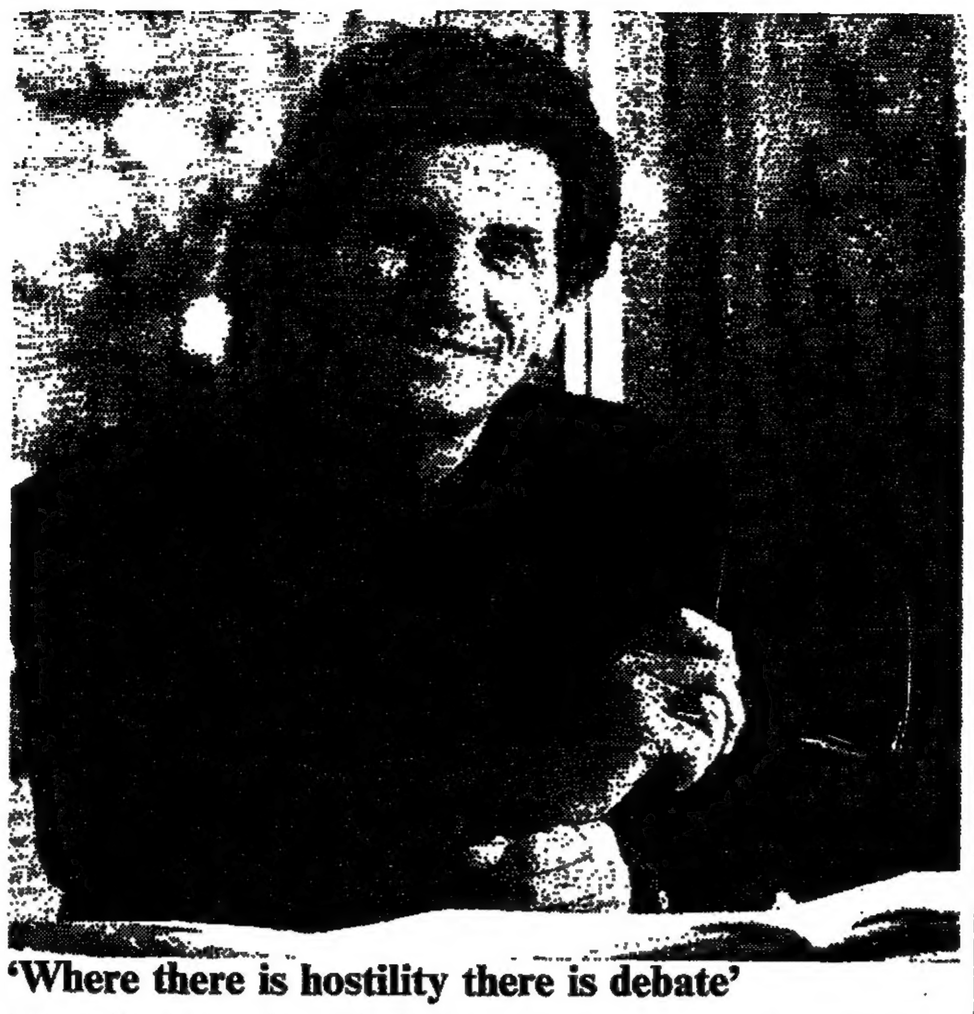
The French press relishes the rumpus over his adventures and misadventures, but so does Mr Lang. "Where there is hostility there is debate," he says, with a shrug of the shoulders and an elaborate lift of the eyebrows. "At least it means people are talking about the arts."

Although he made no secret of his hopes of becoming prime minister, at one point pleading for the job on French television, it is impossible to imagine him enjoying anything as much as his present post. His energy is unquestionable. Night after night he sweeps into exhibition openings accompanied by camera crews. His present projects include the renovation of the 18th-century Palais Royal Gardens, the celebration of the centenary of the death of Rimbaud, the French poet, and the construction of the new national library, the *très grande bibliothèque*.

Since last May, when he became government spokesman, he has been even more visible than before – preening for the *paparazzi* in his Thierry Mugler suits outside the National Assembly as he rattles off the official line on the never-ending Gatt negotiations or the socialists' latest diplomatic debacle.

The best illustration of his influence is the rise in the proportion of the national budget allocated to the arts. It has increased from 0.46 per cent 10 years ago to 0.98 per cent, or FFr12.98bn (£1.3bn), this year. This makes France the highest spender on the arts among leading EC countries. The UK, for example, spends just 0.7 per cent. Mr Lang's critics, however, claim that the increased proportion of the government budget going to the arts would be better spent on schools and hospitals.

Mr Lang has achieved his funding increase with a policy that combines elements of 1950s cultural *dirigisme*, such as government subsidy, with modern market forces. He believes that governments should support artists, film makers, musicians and writers so they do not have to depend entirely on the private sector – that is, the giant Hollywood entertainment groups. "I'm not against all the Hollywood multinationals," he says. "But I am against certain groups that impose uniformity. So much of their work is bad. It's bland, it's vulgar, it's boring."



'Where there is hostility there is debate'

The state's role, he argues, is not to intervene directly in the arts as governments tried to do in the 1950s. Instead, he says, it should create a climate in which artists can work. "Our role is to provide the best possible environment for artists to work in. We should help to alleviate the pressures on them and then leave them to choose their own direction."

Although he favours government grants, Mr Lang differs from his predecessors in that – in spite of his hostility to the multinationals – he recognises the role of the private sector. He cites the US tradition of corporate sponsorship as an important influence, as well as the Arts Council of 1950s Britain and the great Mexican museums. "The idea that the arts should have nothing to do with the market is an anachronism. In fact it's worse." His lips curl ready for a really big insult: "It's *petit bourgeois*."

PERSONAL FILE

- **1939** Born in Mirecourt, Vosges.
- **1961** Worked as a lawyer.
- **1963** Founded International Theatre Festival at Nancy.
- **1971** Professor of International Law at Nancy University.
- **1981** Minister of Culture under President François Mitterrand.
- **1989** Organised celebrations for the bicentennial of the French Revolution.
- **1991** *Official spokesman for French government.*

His strategy has succeeded in some sectors. The French film industry has flourished. "If we hadn't developed a national policy for the cinema, our film industry would have died, crushed by Hollywood as it has been in other countries."

Architecture is another success. The monumental modern buildings conceived by President Mitterrand and Mr Lang to commemorate the bicentenary of the French Revolution in 1989, such as the glass pyramid in the Louvre museum and the great arch at La Défense, are regarded as an international model for public sector building policy. The UK's Labour party has included many of the ideas in its arts manifesto.

However, some of Mr Lang's new schemes still stir up a fuss. The latest furore is over the *très grande bibliothèque*, with its glass storage towers. The original design, say some critics, was ill-conceived: sunlight would have streamed through the glass scorching France's academic treasures. "Nonsense," groans the minister. "Why won't people listen to the experts?" Nevertheless, he has been forced to modify the design, making the towers slightly smaller and storing some books underground.

His critics also point to the opening of the Opéra Bastille in Paris, which was intended to herald a new era of populist opera with cheap seats. The new opera house operates under the same trade union constraints as the old Opéra de Paris and has been dogged by high ticket prices and intermittent strikes.

The plight of French television, which comes under his communications portfolio, is even worse. In the early 1980s the Socialists implemented a TV deregulation drive intended to bring private capital into the old state system to launch new channels. Instead French viewers are subjected to apparently endless light entertainment "spectacles" featuring ageing "stars" such as singer Johnny Hallyday. The system is dominated by one channel, TF1, which has almost half the audience and more than half of all advertising revenue. Other stations are struggling. The worst case of all is La Cinq, which went off air on Friday after failing to attract enough viewers or advertising.

Even Mr Lang appears daunted by the difficulties of French television. "It isn't perfect," he admits. "But what can we do?" It is a testimony to his popularity that he has emerged unscathed from La Cinq's collapse.

The length of his tenure at the culture ministry, however, will be determined not by his own policies, but by Mr Bérégovoy's attempts to salvage the Socialists' electoral chances before next year's general elections.

Perhaps the biggest test of his achievement will be whether France's present enthusiasm for the arts – the crowded art galleries, the lively debates on architecture and the bulging corporate sponsorship budgets – can survive his departure. "Will it last?" he asks. "I don't know. We'll have to wait and see."

Waiting for the clouds to lift

MICHAEL PROWSE on America

The most important date in the economic calendar for President George Bush is arguably July 30. On that red letter day, the Commerce Department releases its first estimate of gross domestic product in the second quarter. If the growth rate is 3 per cent or more, Mr Bush will be able to claim an economic renaissance when he addresses the party faithful at the Republican convention in August. The Bush presidential campaign could then acquire an unstoppable momentum.

Several forecasters believe this nightmare for the Democrats is rapidly becoming a sure bet. Growth will be depressed in the current quarter by corporate destocking. But industrial production should be growing at an annual rate of 5-6 per cent within a few months, says Mr Roger Brinner, chief economist at DRI-McGraw Hill, the forecasting group. He thinks that will put downward pressure on the politically sensitive unemployment rate. His economic model of voter behaviour suggests Mr Bush will win 52-53 per cent of the vote in November – a comfortable victory.

A surge in optimism about the economy has been spurred mainly by a surprisingly strong rise in consumption spending since Christmas and a recovery of confidence in the residential housing market, which has benefited from the Federal Reserve's cheap money policy. Even if retail sales dip in March, strong gains since the new year point to consumption growth at an annual rate of 5 per cent or more in the first quarter. Reports hinting at a broader-based recovery include a sharp rise in the official indices of leading and coincident indicators and a surge in the Purchasing Managers' Index, usually a reliable guide to the outlook for the manufacturing sector.

Many economists, however, are viewing the figures with a jaundiced eye. Last week, 100 leading academic economists – led by Nobel laureates Mr Robert Solow of MIT and Mr James Tobin of Yale – sent an open letter to Mr Bush pleading for urgent action to stimulate the economy. Their main recommendation is that federal government borrow an extra $50bn (about 1 per cent of GDP) to finance higher investment spending by states and local governments. The group also advocates further interest rate cuts and tax incentives for capital formation.

Mr Michael Boskin, the White House chief economist, swiftly rejected the plea for additional borrowing. Speaking in Washington, however, he was only fractionally more optimistic about the economy than the 100 critics. He welcomed the recovery of retail sales and claimed the economy's improvement was set to continue. But he refused to declare the recession over. His reticence was partly politically motivated: nothing could be more damaging for the Bush administration than to raise economic hopes a second time, only to have to concede that the recovery is again a mirage.

Judging from the disappointing March employment report, Mr Boskin was wise to play down expectations. Non-farm employment rose 19,000, less than half the increase Wall Street expected and a derisory gain in an economy with nearly 109m non-agricultural jobs. The Labour Department also revised down February's figures to show an increase of only 107,000 compared with 164,000 previously. The unemployment rate was unchanged at 7.3 per cent, a six-year high. The jobs data admittedly lag the cycle: companies respond to higher demand first by drawing down inventories and then by increasing overtime. They take on permanent workers only when a sustained rise in production is expected.

Even allowing for lags, however, the employment figures are unusually discouraging. There were no more jobs in March than in May of last year, despite three quarters of slow GDP growth. In a normal recovery, the monthly increase in employment would now be running at about 300,000. The poor jobs outlook suggests consumer confidence will rise only gradually and raises doubts about the sustainability of the recovery in retail spending, which partly reflected a decline in savings from already depressed levels.

There are other mildly worrying signs. The surge in monetary growth at the beginning of the year has already tailed off with M2, the targeted measure of broad money, now growing at an annual rate of only 3 per cent, just above the bottom of its target range. The deteriorating outlook for Japan and parts of Europe may also sharply reduce the growth of US exports, a crucial prop in recent quarters.

The important question is not whether a recovery of sorts is under way but whether the economy is yet capable of breaking out of its 1990s prison of sluggish growth. Remarkably, the economy has not grown at an annual rate of more than 1.9 per cent in any quarter since Mr Bush assumed power early in 1989.

Mr Paul Mastroiddi, US economist at J P Morgan, the New York bank, argues that most analysts are trying to make recent economic data fit a traditional cyclical pattern. The dip associated with the Gulf war was one side of a "V"; economists thus keep hoping that a serious recovery will eventually kick in. This may happen. It may even happen in time for the Republican convention. But it is equally possible that the legacy of the 1980s – high personal and corporate debts, huge public sector deficits and low savings rates – will keep the economy sluggish for several more quarters.

Promise with sting in its tail

JUSTINIAN

When all the electoral dust has settled, the new UK administration will set about framing its legislative programme and making ministerial decisions. So what happens to all those proposals and promises in the election manifesto, which may have helped the party to win?

The question is not without legal significance. A decade ago, the judges had something to say about the legal status of election manifestos when the now defunct Greater London Council sought to implement an election promise by the Greater London Labour party to introduce a "fares fair" scheme for London Transport. Bromley Borough Council successfully challenged the implementation of the proposal for a 25 per cent overall reduction in fares because it was motivated solely by the belief that the majority party on the council was bound to implement a pre-election promise.

The judges held that, while an election manifesto may, and often does, contain firm and unequivocal proposals, which the electorate might reasonably expect to be fulfilled, there can be no question that the authors of the proposals bind themselves irrevocably to honour the pledge. It is accepted by the law that a proposal may turn out to be unworkable or impossible of attainment.

Indeed some of the judicial pronouncements in the fares fair case indicated that the moral obligation to fulfil an electoral promise was even less compelling. When the party making the proposal gets into the power, the judges said, it should positively consider afresh any proposal or promise without feeling obliged to honour it or being committed to it. If that is the right approach, it reduces election manifestos to little more than present good intentions to induce the support of voters without involving any future commitment.

Whatever the law's pronouncements on proper regard for election promises, political parties are likely to attach greater or less importance to their rivals' political commitments. Political advisers will doubtless keep a keen watch on how much or how little is translated from manifesto to legislative or executive action. Other commentators with specialist interests will want either to remind the politicians of their commitment to a particular proposal or to seek to persuade them of the impropriety or undesirability of it.

If the Labour party becomes Her Majesty's government on April 10, there is one proposal in its manifesto that is already worrying a body of informed, non-partisan opinion, concerning the future protection of the rights and interests of children. The Labour party's manifesto promises to establish "an independent children's commissioner and a children's minister". The sting in the proposals' tail is that the minister will be "within the Home Office to co-ordinate policies for children across departments".

Those who have been urging the establishment of a children's rights commissioner to promote, among other things, compliance with the UN convention on the rights of the child, adopted by the General Assembly in November 1989, are mystified by the proposal to put such a minister for children's rights in the Home Office. It had been widely assumed that the appropriate ministry would be the Department of Health. To assign the task of child welfare to the Home Office would be to put the clock back two decades and convey the wrong message.

To assign child welfare to the Home Office would be to put the clock back two decades and convey entirely the wrong message

At the time that the Labour administration passed the Children and Young Persons Act in 1969, it took the imaginative step of transferring the children's department from the Home Office, the department primarily concerned with law and order, to the department responsible for the health and care of children. It was a step welcomed both within and outside the government.

When the House of Commons Social Services Committee in 1984 recommended that the Department of Health and Social Security should establish a working party to review childcare law, the government speedily accepted the suggestion.

The responsibility for the review and the legislation rested with the Department of Health, which co-ordinated work with other government departments. The result was the Children Act 1989, which came into force last October.

Throughout the extensive consultative process and detailed parliamentary examination of the legislation the Department of Health was the ministry that promoted the cause of child welfare. It, and not the Home Office, was the prime agent of law reform.

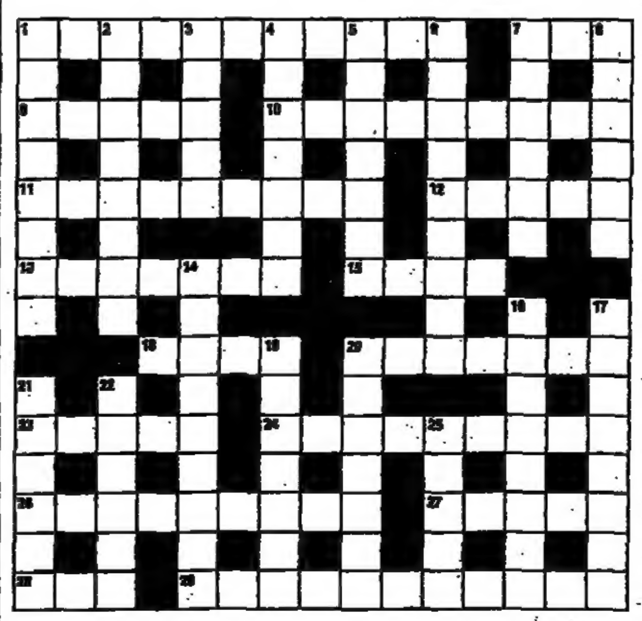
Any change in ministerial responsibility now would be seen as detracting from the real advances made in persuading politicians to take children's rights and interests more seriously.

Louis Blom-Cooper QC

JOTTER PAD

CROSSWORD

No.7,817 Set by DANTE



ACROSS

1 Top dog of the Variety Club? (6,8)
7 Weaken the position of a fool (3)
9 Test side batting needs help in comeback (5)
10 Remind one that it's time for church? (4,1,4)
11 Eggs are scrambled and, note, set apart (9)
12 Direct a sequence (5)
13 Carrier gets U-boat in an instant to withdraw (7)
15 Capital kind of band for a musical (4)
18 Witnesses a key agreement (4)
20 Regalia thrown out by republic (7)
23 Number in tour round royal house (5)
24 Many raced, but were beaten (9)
26 The drilling outside is annoying (9)
27 Don't get up early – about one is right (3,2)
28 Complete part of a game of bowls (3)
29 It's fractionally down (11)

DOWN

1 A lofty approach, of course (4,4)
2 Short of cash in inn, I'd get thrown out (8)
3 State of mind – or body (5)
4 Overhead lines (7)
5 He needs understanding first, then reform (7)
6 Anger is no use for clear use of the brain (9)
7 Stable companion? (6)
8 Worthless friend put to the test (6)
14 Date of Derby in doubt (3,6)
16 A cross-section of the church (8)
17 He has a growing interest in his job (8)
19 Notices faulty part (7)
20 A number in Malaga form a new combination (7)
21 Well established equestrian centre (6)
22 Revised point I'd raised with Edward (6)
25 Heavyweight gets round a novice with a hook (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday April 18.